LIMITED OFFERING MEMORANDUM

In the opinion of Bond Counsel, assuming compliance with certain covenants of the City and Patriot Charter School, interest on the Series 2006A Bonds is excludable from gross income of the owners of the Series 2006A Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Series 2006A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax; however, interest on the Series 2006A Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations as more fully described under the caption “TAX EXEMPTION” herein. Bond Counsel is of the opinion that interest on the Series 2006B Bonds is NOT excludable from gross income for federal income tax purposes. Bond Counsel is further of the opinion that the Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein. See “TAX EXEMPTION” herein.

$20,175,000 City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A

Dated: Date of Issue

Due: July 1, as shown below

The proceeds of the Bonds are being loaned by the City to Patriot Charter School, LLC, a limited liability company organized under the laws of the State of Florida (“Patriot Charter School”), to be applied to finance the costs of (i) acquiring, constructing, equipping and operating certain charter school facilities (the “Project”), to be leased by Patriot Charter School to the City, (ii) funding a debt service reserve fund with respect to the Bonds, (iii) providing certain working capital requirements for the Project and (iv) paying certain costs of issuance, all as herein described. The City anticipates operating the Project as a Charter School under the laws of the State of Florida pursuant to a Charter School Contract from the Brevard County School Board.


This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision, giving particular attention to the section entitled “BONDBORADERS’ RISKS.”

The Bonds are offered when, as, and if issued and received by the purchaser thereof, subject to the receipt of the approving legal opinion of Greenberg Traurig, P.A., Orlando, Florida, Bond Counsel. Certain legal matters will be passed upon for Patriot Charter School by Greenberg Traurig, P.A., Orlando, Florida, for the City by Nicholas Tsamoutales, Esq., Palm Bay, Florida, and for the Underwriter by Hahn, Smith, Walsh & Mancuso, P.C., Denver, Colorado.

It is expected that delivery of the Bonds will be made through the facilities of DTC in New York, New York, on or about April 3, 2006

GATES CAPITAL CORPORATION

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Dated March 31, 2006
No dealer, broker, salesman or other person has been authorized by the City, Patriot Charter School, or the Underwriter to give any information or to make any representations other than those contained in this Limited Offering Memorandum and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, Patriot Charter School or the Underwriter. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from Patriot Charter School and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the City or Patriot Charter School, or in any other information contained herein, since the date hereof.

By acceptance of its duties under the Indenture, the Trustee is not implying that it has reviewed nor has the Trustee actually reviewed this Limited Offering Memorandum and the Trustee makes no representations as to the information contained herein, including but not limited to the representations as to the financial feasibility of the Project.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER JURISDICTIONS SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THESE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THE SALE OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.
NOTICE TO INVESTORS

Purchase of the Bonds described herein involves a high degree of risk and the Bonds are a speculative investment. For such reason, each initial purchaser of the Bonds (i) will be required to deliver an executed investor letter setting forth the following, and (ii) by its purchase of the Bonds or any interest therein, will have acknowledged, represented, warranted, and agreed with and to the City, the Underwriter, Patriot Charter School and the Trustee as follows:

(a) The purchaser will be deemed to have acknowledged that the Bonds are special and limited obligations of the City payable solely from the revenues and receipts pledged under the Indenture, and that the Bonds and interest thereon shall never constitute a debt or indebtedness of the City within the meaning of any provision or limitation of the Constitution or statutes of the State of Florida, and shall never constitute or give rise to a pecuniary liability of the City.

(b) In addition to its receipt of the Limited Offering Memorandum, the purchaser will be deemed to have acknowledged that it has received information from Patriot Charter School relating to: (i) the sources of repayment of the Bonds, (ii) the Project, (iii) Patriot Charter School (including financial and operating data), and (iv) such other material matters relating to the Bonds as the purchaser deemed relevant. The purchaser will be deemed to have acknowledged that it had the opportunity to ask questions of, and request additional information from, Patriot Charter School, Lee Charter Foundation, the City, the Manager and CSUSA regarding the information provided to it and any other matters that the Purchaser considered to be relevant to the purchaser's decision to purchase the Bonds.

(c) The purchaser will be deemed to have acknowledged that it understands that the Bonds are a speculative investment, that there is a high degree of risk in investing in the Bonds; and that the purchaser is capable of suffering a loss of the entirety of its investment which is represented by the Bonds. The purchaser will be deemed to have acknowledged that it can bear the economic risk associated with a purchase of high risk securities such as the Bonds and it has such knowledge and experience in business and financial matters, including the analysis of a participation in the purchase of similar investment, so as to be capable of evaluating the merits and risks of an investment in the Bonds on the basis of the information and review described herein.
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SUMMARY STATEMENT

The following Summary Statement is subject in all respects to more complete information contained in this Limited Offering Memorandum and in the Appendices to this Limited Offering Memorandum. The offering of Bonds to potential investors is made only by means of this entire Limited Offering Memorandum, including the Appendices, and no person is authorized to detach this Summary Statement from this Limited Offering Memorandum or to otherwise use it without the entire Limited Offering Memorandum, including the Appendices. FOR THE DEFINITION OF CERTAIN TERMS USED IN THIS SUMMARY STATEMENT, SEE THE CAPTION “DEFINITIONS OF CERTAIN TERMS” IN APPENDIX A HERETO.

The Bonds: The offering consists of the City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A, in the aggregate principal amount of $20,175,000 (the “Series 2006A Bonds”), and the City of Palm Bay, Florida Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006B, in the aggregate principal amount of $925,000 (the “Series 2006B Bonds” and together with the Series 2006A Bond, the “Bonds”), to be issued by City of Palm Bay, Florida (the “City”). The Bonds will be initially issued in Book-Entry Only Form. See “THE BONDS” herein.

Interest: Interest on the Bonds is payable on January 1 and July 1, with interest first payable on July 1, 2006. See the Cover Page for interest rates and maturities.

Principal: Principal of the Bonds is payable pursuant to mandatory sinking fund redemption on January 1 and July 1, in the years and amounts set forth herein. See “THE BONDS--Mandatory Sinking Fund Redemption” herein.

Prior Redemption: The Bonds are subject to extraordinary mandatory and optional redemption. See “THE BONDS - Redemption of the Bonds” herein.

Use of Proceeds: The proceeds from the sale of the Bonds loaned by the City to Patriot Charter School, LLC (“Patriot Charter School”) and used to pay the costs of (i) acquiring, constructing, equipping and operating certain charter school facilities (the “Project”), to be leased by Patriot Charter School to the City, (ii) funding a debt service reserve fund with respect to the Bonds, (iii) providing certain working capital requirements for the Project, and (iv) paying certain costs of issuance.


Security: The Bonds and the interest thereon are special, limited obligations of the City, payable solely out of the payments derived by the City under the Mortgage and Loan Agreement (the “Loan Agreement”), dated March 1, 2006, by and between the City and Patriot Charter School, and are secured by an assignment of such payments to Regions Bank, as trustee (the “Trustee”), pursuant to the Indenture of Trust (the “Indenture”), dated as of March 1, 2006, by and between the City and the Trustee.

Pursuant to the Loan Agreement, the City will loan the proceeds of the Bonds to Patriot Charter School. In the Loan Agreement, Patriot Charter School will
covenant to repay the funds borrowed from the City, together with interest thereon, in installments which will be sufficient to pay, when due, the principal of and interest on the Bonds. In order to secure the payment of the Bonds, the City will assign all of its rights and interest in the Loan Agreement (other than certain rights of indemnification, payment of expenses and taxes) to the Trustee, pursuant to an Assignment of Mortgage (the “Assignment”).

In accordance with a Ground Lease, dated March 1, 2006, by and between the City and Patriot Charter School, the City will lease to Patriot Charter School (for an annual rental payment of $1) certain real property (the “Project Site”) located within the City, for a period of fifty years.

Under a Lease Agreement (the “Lease”), dated March 1, 2006, between the City, as lessee, and Patriot Charter School, as lessor, the City will lease the Project and sublease the Project Site from Patriot Charter School. The City is obligated to make Base Rental payments under the Lease (but solely from the Charter Revenues and Additional Revenue herein described) in an amount sufficient to pay all sinking fund installments with respect to the Bonds, and interest on the Bonds. The City is also obligated to pay certain Additional Rent under the Lease (but solely from the Charter Revenues and Additional Revenue herein described).

The City holds a Charter School Contract for the operation of a primary school (the “Charter”) between the City and the School Board of Brevard County, Florida, and funds to make Lease payments by the City are anticipated to be derived from payments made to the City by the Brevard County School Board pursuant to such Charter (“Charter Revenues”). Such Charter Revenues and Additional Revenue are pledged by the City to secure its obligations under the Lease. Such Lease payments to Patriot Charter School are assigned by Patriot Charter School to the Trustee to secure its obligations under the Loan Agreement, and are expected to be the source of payment of principal of and interest on the Bonds.

Pursuant to a Management Agreement (the “Management Agreement”) by and between the City and CSUSA at Palm Bay, LLC, a Florida limited liability company (the “Manager”), the Manager shall be obligated to provide all labor, supervision, materials and equipment necessary for the educational requirements of students at the Project, and for the management, operation and maintenance of the Project. The sole member of the Manager is Charter Schools USA, Inc. Payments under the Management Agreement shall be made from Additional Rent deposited with the Trustee.

The obligations of Patriot Charter School under the Loan Agreement will be secured by (i) a leasehold mortgage interest in the Project Site for the benefit of the Trustee, (ii) a mortgage interest in the Project, and (iii) an assignment of the Base Rental payments, Additional Rent and Capital Contributions payable by the City under the Lease from Charter Revenues and Additional Revenue. The Additional Rent shall include all Charter Revenue and certain additional revenue collected from related activities at Patriot Charter School, such as meal programs, daycare or special events (“Additional Revenue”).
Neither the City, the State nor any political subdivision or agency of the State, shall be obligated to pay the Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State, the City, or any other political subdivision or agency thereof is pledged to the payment of the principal of, premium, if any, and interest on the Bonds.

The City is obligated under the Indenture to deposit all Charter Revenue and Additional Revenue, if any, directly with the Trustee during the term of the Lease. Such Charter Revenues and Additional Revenue will be applied by the Trustee to make Base Rental payments, to pay Additional Rent, to establish and maintain certain reserve funds described in the Indenture, to pay certain developer fees, and to reimburse amounts previously paid for Charter School purposes. See, “SECURITY AND SOURCE OF PAYMENT FOR THE BOND—Pledge of Payments under the Loan Agreement” herein.

The City is obligated under the Lease to make payments of Base Rental and to pay Additional Rent, but only from and to the extent of Charter Revenues and Additional Revenues received by the City during the term of the Lease. Base Rental payments due under the Lease are in amounts equal to, and amounts paid as Base Rental shall be applied to the payment of, sinking funds installments with respect to the Bonds, together with interest on the Bonds; Additional Rent shall be applied to pay Operating Expenses of the Project. There can be no assurance that Charter Revenues and Additional Revenue will be sufficient to pay all Base Rentals and to pay all such Operating Expenses.

If Charter Revenues and Additional Revenue are not sufficient to pay Base Rentals and to pay Operating Expenses of the Charter School (other than the Management Fee and the Property Management Fee, as those terms are defined herein), the Trustee will within ten days request an appropriation for such purpose, by providing notice to the City Manager. In accordance with the Lease, the City Manager will take action within thirty days to submit an appropriation request to the City Council. The City Council will consider such request within thirty days, and may, in its discretion, appropriate other funds for such purpose, but is not legally obligated to do so. In the event that the City advances funds to the Trustee from other legally available funds of the City, the City is entitled, under the Indenture, to be reimbursed from Charter Revenues and Additional Revenues if and when available, on a basis subordinate to payment of the Bonds. If Charter Revenues and Additional Revenue are not sufficient to pay Base Rental and Operating Expenses and if the City does not appropriate additional moneys for such purposes, there may not be sufficient moneys to pay principal of and interest on the Bonds.

Based on student population projections provided to the City by Patriot Charter School, and on state school funding formulas, the City anticipates that Charter Revenues and Additional Revenue will be sufficient for timely payment of Base Rentals and Operating Expenses. Nevertheless, Charter Revenues and Additional Revenue may not be sufficient for such purposes, and the City has agreed that the Trustee may request that the City appropriate other funds if such amounts are not sufficient for such purposes. The City, acting by and through its City Council, agrees that it will give full consideration to any such request of the Trustee to appropriate additional moneys to pay Base Rentals and Operating Expenses, based
on its determination by the City that the operation of the Patriot Charter School is an essential governmental activity of the City. Such determination has been made due to the limited school capacity available to educate students expected as a result of projected population growth within the City. However, the City is under no obligation to pay Base Rentals and Operating Expenses from any source other than Charter Revenues and Additional Revenue, and Patriot Charter School has acknowledged and agreed that the City Council cannot bind itself as to whether it or a future City Council will or will not make an appropriation from other moneys of the City in the event of an insufficiency of Charter Revenue and Additional Revenues. As used above, the term "full consideration" shall mean that the City Council will (a) consider the request for appropriation, (b) as a separate agenda item, (c) at a regular or special meeting of the City Council, (d) at which a quorum is present and acting at the time of such consideration, and (e) with respect to which any interested party or its representative is allowed to make comments before a presentation to the City Council. The appropriation and advance of such other moneys by the City would be on a basis not more often than quarterly, and any obligation to consider such action would begin following all expenditure of capitalized interest for the Bonds and continue until such time as the Long-Term Debt Service Coverage Ratio (but calculated without the Management Fee and the Property Management Fee, as such terms are defined in the Indenture), expressed as a percentage, shall equal or exceed 100% for two successive Fiscal Years, not earlier than the first Fiscal year when no capitalized interest is applied in payment on the Bonds, as evidenced by the Audited Financial Statements of Patriot Charter School. The obligation of the City to consider any such advances is effective only if Charter Revenues and Additional Revenues are available but are insufficient to pay Base Rental and Operating Expenses (excluding the Management Fee and Property Management Fee).

It can be noted that the City shall make an initial capital contribution of $200,000 from currently appropriated funds, on the date of issue of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. The City has also indicated its present intent to make a Capital Contribution in the amount of $100,000 on October 1, 2006 to compensate for site improvements to a public park adjacent to the Patriot Charter School. The payment of such Capital Contribution is, however, subject to annual appropriation from legally available funds.
Investment Risks:

The Bonds and interest thereon shall not constitute a debt or liability of the State of Florida (the “State”) or of any political subdivision thereof, including the City, within the meaning of any State constitutional provision or statutory or home rule charter limitation and shall not constitute a pledge of the full faith and credit of the State or any political subdivision thereof, including the City, but shall be payable solely from the funds provided for in the Loan Agreement and the Indenture. The issuance of the Bonds shall not, directly or indirectly, or contingently obligate the State or any political subdivision thereof including the City to levy any form of taxation therefor. The Bonds are payable solely from the funds provided for in the Loan Agreement and the Indenture. The issuance of the Bonds does not directly, indirectly or contingently obligate the State or any political subdivision thereof, including the City, to levy any form of taxation therefor or to make any appropriation for their payment other than from the revenues to be received by the City under the Loan Agreement. Payment of the principal of, premium, if any, and interest on the Bonds may be dependent on revenues to be derived from the Project, including the Base Rental payments, Capital Contributions and Additional Rent payable by the City under the Lease. Such revenues, in turn, will be dependent upon receipt of Charter Revenues and Additional Revenue by the City. Certain risks are inherent in the production of such revenues. See “BONDHOLDERS’ RISKS” for a discussion of these risks.
LIMITED OFFERING MEMORANDUM

$20,175,000
City of Palm Bay, Florida
Tax-Exempt Educational Facilities Revenue Bonds
(Patriot Charter School Project)
Series 2006A

$925,000
City of Palm Bay, Florida
Taxable Educational Facilities Revenue Bonds
(Patriot Charter School Project)
Series 2006B

INTRODUCTION

This Limited Offering Memorandum, including its Cover Page, Summary Statement and Appendices, provides information in connection with the offer and sale of the City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A, in the aggregate principal amount of $20,175,000 (the “Series 2006A Bonds”), and the City of Palm Bay, Florida Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006B, in the aggregate principal amount of $925,000 (the “Series 2006B Bonds” and together with the Series 2006A Bond, the “Bonds”). Proceeds of the Bonds will be loaned by the City of Palm Bay, Florida (the “City”) to Patriot Charter School, LLC, a Florida limited liability company ("Patriot Charter School") (i) to acquire, construct and complete certain school facilities, located in Palm Bay, Florida (the “Project”), (ii) to fund capitalized interest required with respect to the Project, (iii) to fund a Debt Service Reserve Fund for the Bonds, (iii) to fund certain working capital requirements with respect to the Project, and (iv) to pay the costs of issuance of the Bonds. The sole member of Patriot Charter School is The Lee Charter Foundation, Inc., a nonprofit corporation organized under the laws of the State of Florida (“Lee Charter Foundation”).

The City holds a Charter School Contract from the School Board of Brevard County, Florida (the “Charter”), for the operation of the Project and shall be entitled to receive certain payments (“Charter Revenues”) made to the City pursuant to such Charter under the laws of the State of Florida. See “FLORIDA CHARTER SCHOOLS—The School Charter” in Appendix B hereto. In addition to Charter Revenue, the City shall be entitled to collect certain additional revenue from related activities at Patriot Charter School, such as meal programs, daycare or special events (“Additional Revenue”).

In connection with the Project, Patriot Charter School and the City will enter into a Mortgage and Loan Agreement (the “Loan Agreement”), dated as of March 1, 2006, pursuant to which the City will loan the proceeds of the Bonds to Patriot Charter School. In the Loan Agreement, Patriot Charter School will covenant to repay the funds borrowed from the City, together with interest thereon, in installments which, together with investment income, will be sufficient to pay, when due, the principal of and interest on the Bonds. In order to secure the payment of the Bonds, the City will assign all of its rights and interest in the Loan Agreement (other than certain rights of indemnification, payment of expenses and taxes) to the Trustee, pursuant to an Assignment of Mortgage (the “Assignment”).

In accordance with a Ground Lease, dated as of March 1, 2006, by and between the City and Patriot Charter School, the City will lease the Project and sublease the Project Site from Patriot Charter School, and pay certain Base Rental (but solely from Charter Revenues and Additional Revenue) to Patriot Charter School. Under the Lease, the City has agreed (1) to pay $200,000 at the time of the issuance of the Bonds (the “Initial Capital Contribution”) to pay a portion of the costs of issuance and Project Costs, and (ii) to consider paying (from annually appropriated funds) an additional $100,000 (an “Additional Capital Contribution”) with respect to its share of certain capital costs with respect to the Project, but the City is under no legal obligation to pay such Additional Capital Contribution. In addition, the City agrees to deposit all remaining Charter Revenue with the Trustee as Additional Rent under the Lease, to be applied to...
the payment of operating, maintenance and other expenses of the Project. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Pledge of Payments under the Loan Agreement.”

In the event that Charter Revenues and Additional Revenue are not sufficient to provide for the payment of Base Rental due under the Lease, and to pay Operating Expenses of the Project (other than the Management Fee and the Property Management Fee, as those terms are defined herein), the Trustee will within ten days request an appropriation for such purpose, by providing notice to the City Manager. In accordance with the Lease, the City Manager will take action within thirty days to submit an appropriation request to the City Council. The City Council will consider such request within thirty days, and may, in its discretion, appropriate other funds for such purpose, but is not legally obligated to do so. The appropriation of such funds would be on an annual basis, and would begin following all expenditure of capitalized interest for the Project, and continue until such time as the Long Term Debt Service Coverage Ratio (as herein defined, but calculated without the Management Fee and the Property Management Fee), expressed as a percentage, shall equal or exceed 100% for two successive Fiscal Years, as evidenced by the Audited Financial Statements of Patriot Charter School. In the event that the City advances funds to the Trustee from other legally available funds of the City, the City is entitled, under the Indenture, to be reimbursed from Charter Revenues and Additional Revenue if and when available, on a basis subordinate to payment of the Bonds.

Pursuant to a Management Agreement (the “Management Agreement”) by and between the City and CSUSA at Palm Bay, LLC, a Florida limited liability company (the “Manager”), the Manager shall be obligated to provide all labor, supervision, materials and equipment necessary for the educational requirements of students at the Project, and for the management, operation and maintenance of the Project. The sole member of the Manager is Charter Schools USA, Inc. (“CSUSA”), a development and management company of charter schools. Payments to the Manager will be paid as Additional Rent.

The obligations of Patriot Charter School under the Loan Agreement will be secured by (i) a leasehold mortgage interest in the Project Site for the benefit of the Trustee pursuant to the Loan Agreement, (ii) a mortgage interest in the Project pursuant to the Loan Agreement, (iii) an assignment of the Lease and of the Base Rental payments, Capital Contributions and Additional Rent payable thereunder.

The obligation of the City to make payments of Base Rent and Additional Rent under the Lease, is a special, limited obligation of the City, payable from and secured solely by a pledge of Charter Revenues and Additional Revenues. In the event the Charter Revenues are not sufficient to provide for the payment of the Base Rental payments, and to provide sufficient funds for the payment of Operating Expenses of the Project (other than certain subordinated fees, as described herein), the City may, but shall not be obligated to, make payment from any legally available funds.

This Limited Offering Memorandum, including the Appendices hereto, contains brief descriptions of the City, Patriot Charter School, the Loan Agreement, the Lease, the Indenture and other documents executed in connection therewith. The summaries of statutes, opinions, and documents contained herein are summaries only and do not purport to be comprehensive or definitive, and are qualified in all respects by reference to the originals or official compilations thereof, copies of which are available during the period of the offering of the Bonds upon reasonable request from Gates Capital Corporation (the “Underwriter”), upon payment of reasonable charges for copying (not to exceed any limits under applicable Florida law).

THE BONDS

Description of Bonds

The Series 2006A Bonds are issued as fully registered bonds, without coupons, in the denomination of $250,000 or any integral multiple of $5,000 in excess thereof. The Series 2006B Bonds are issued as fully registered bonds, without coupons, in the denomination of $50,000 or any integral multiple of $5,000 in excess thereof. The Bonds bear interest at the rates, and mature in the amounts and on the dates, as set forth on the cover page of this Limited Offering Memorandum. Interest on the Bonds is payable semiannually on July 1 and January 1 of each year,
with the first interest payment due July 1, 2006. The principal of and premium, if any, on any Bonds (other than regularly scheduled sinking fund installments of principal) will be payable at the principal operations center of the Trustee located in Birmingham, Alabama. The payment of the interest on each Bond and regularly scheduled sinking fund installments of principal will be made by check or draft of the Trustee, mailed to the registered holder thereof.

The Bonds initially will be issued in fully registered form and will be registered in the name of Cede & Co., as the Registered Owner and nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will represent to the City that it will maintain a book-entry system for recording ownership interests of its participants (the “DTC Participants”) and that the ownership interest of a purchaser of a beneficial interest in the Bonds (a “Beneficial Owner”) will be recorded through book entries on the records of the DTC Participants. Beneficial Owners will not receive any certificates representing their interest in the Bonds, except as described herein.

Redemption Prior to Maturity

**Optional Redemption.** Series 2006A Bonds shall be subject to redemption prior to maturity, in whole or in part, at the written direction of Patriot Charter School (“Optional Redemption”) on July 1, 2016, and on any date thereafter, at the redemption price set forth below (expressed as a percentage of the principal amount so redeemed), plus accrued interest to the redemption date.

<table>
<thead>
<tr>
<th>Redemption Period (both dates inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2016 through June 30, 2017</td>
<td>102%</td>
</tr>
<tr>
<td>July 1, 2017 through June 30, 2018</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 2018 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Series 2006B Bonds shall not be subject to Optional Redemption prior to maturity.

**Extraordinary Mandatory Redemption.** The Bonds shall be subject to mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date:

(a) from and to the extent of Net Proceeds in excess of $50,000 in the event of damage to or destruction of the Project or in the event of condemnation of the Project or any part thereof, unless within sixty (60) days of the damage or destruction or condemnation, as the case may be, Patriot Charter School shall furnish to the Trustee the items required by the Indenture to demonstrate the feasibility of restoring the Project, such redemption to take place within 120 days of such event;

(b) from and to the extent of excess Net Proceeds in excess of $1,000,000 to the extent provided in the Indenture, such redemption to take place within 60 days after it is determined that there are excess funds;

(c) from and to the extent of moneys made available as a result of release of lands or granting of easements pursuant to the Indenture, such redemption to take place as soon as practicable after notice of redemption can be given pursuant to the terms of the Indenture;

(d) from and to the extent of proceeds of the Bonds which are on deposit with the Trustee after the Completion Date, such redemption to take place as soon as practicable after notice of redemption can be given pursuant to the terms of the Indenture, and

(e) following a termination of under the Lease.
**Extraordinary Optional Redemption.** The Bonds may, at the option of the City and at the written direction of Patriot Charter School, be called in part for redemption at a redemption price equal to one hundred percent (100%) of the principal amount thereof redeemed plus accrued interest to the Redemption Date:

(a) at any time, in the event the Charter is terminated or not renewed; or

(b) at any time within the first twenty-four (24) months after the date of issue of the Bonds, in the event the student enrollment at the Project is seventy-five percent (75%) or less of the projected enrollment for the Project.

**Mandatory Sinking Fund Redemption.** The Series 2006A Bonds maturing on July 1, 2022, are subject to mandatory sinking fund redemption in part by lot, on July 1, 2009, and on each January 1 and July 1 thereafter until and including July 1, 2022, pursuant to the provisions of the Indenture, at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory sinking fund payments which are required to be made as set forth below:

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Principal Amount</th>
<th>Payment Date</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2009</td>
<td>$20,000</td>
<td>January 1, 2016</td>
<td>$190,000</td>
</tr>
<tr>
<td>January 1, 2010</td>
<td>10,000</td>
<td>July 1, 2016</td>
<td>195,000</td>
</tr>
<tr>
<td>July 1, 2010</td>
<td>15,000</td>
<td>January 1, 2017</td>
<td>205,000</td>
</tr>
<tr>
<td>January 1, 2011</td>
<td>10,000</td>
<td>July 1, 2017</td>
<td>210,000</td>
</tr>
<tr>
<td>July 1, 2011</td>
<td>20,000</td>
<td>January 1, 2018</td>
<td>220,000</td>
</tr>
<tr>
<td>January 1, 2012</td>
<td>15,000</td>
<td>July 1, 2018</td>
<td>220,000</td>
</tr>
<tr>
<td>July 1, 2012</td>
<td>15,000</td>
<td>January 1, 2019</td>
<td>240,000</td>
</tr>
<tr>
<td>January 1, 2013</td>
<td>155,000</td>
<td>July 1, 2019</td>
<td>235,000</td>
</tr>
<tr>
<td>July 1, 2013</td>
<td>160,000</td>
<td>January 1, 2020</td>
<td>250,000</td>
</tr>
<tr>
<td>January 1, 2014</td>
<td>165,000</td>
<td>July 1, 2020</td>
<td>255,000</td>
</tr>
<tr>
<td>July 1, 2014</td>
<td>175,000</td>
<td>January 1, 2021</td>
<td>265,000</td>
</tr>
<tr>
<td>January 1, 2015</td>
<td>185,000</td>
<td>July 1, 2021</td>
<td>275,000</td>
</tr>
<tr>
<td>July 1, 2015</td>
<td>180,000</td>
<td>January 1, 2022</td>
<td>285,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>July 1, 2022*</td>
<td>290,000</td>
</tr>
</tbody>
</table>

*Final maturity.
The Series 2006A Bonds maturing on July 1, 2036, are subject to mandatory sinking fund redemption in part by lot, on January 1, 2023, and on each July 1 and January 1 thereafter until and including July 1, 2036, pursuant to the provisions of the Indenture, at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory sinking fund payments which are required to be made as set forth below:

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Principal Amount</th>
<th>Payment Date</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2023</td>
<td>$ 305,000</td>
<td>January 1, 2030</td>
<td>495,000</td>
</tr>
<tr>
<td>July 1, 2023</td>
<td>310,000</td>
<td>July 1, 2030</td>
<td>500,000</td>
</tr>
<tr>
<td>January 1, 2024</td>
<td>325,000</td>
<td>January, 2031</td>
<td>535,000</td>
</tr>
<tr>
<td>July 1, 2024</td>
<td>335,000</td>
<td>July 1, 2031</td>
<td>535,000</td>
</tr>
<tr>
<td>January 1, 2025</td>
<td>350,000</td>
<td>January 1, 2032</td>
<td>570,000</td>
</tr>
<tr>
<td>July 1, 2025</td>
<td>355,000</td>
<td>July 1, 2032</td>
<td>575,000</td>
</tr>
<tr>
<td>January 1, 2026</td>
<td>380,000</td>
<td>January 1, 2033</td>
<td>610,000</td>
</tr>
<tr>
<td>July 1, 2026</td>
<td>380,000</td>
<td>July 1, 2033</td>
<td>615,000</td>
</tr>
<tr>
<td>January 1, 2027</td>
<td>405,000</td>
<td>January 1, 2034</td>
<td>660,000</td>
</tr>
<tr>
<td>July 1, 2027</td>
<td>405,000</td>
<td>July 1, 2034</td>
<td>655,000</td>
</tr>
<tr>
<td>January 1, 2028</td>
<td>430,000</td>
<td>January 1, 2035</td>
<td>700,000</td>
</tr>
<tr>
<td>July 1, 2028</td>
<td>440,000</td>
<td>July 1, 2035</td>
<td>705,000</td>
</tr>
<tr>
<td>January 1, 2029</td>
<td>465,000</td>
<td>January 1, 2036</td>
<td>810,000</td>
</tr>
<tr>
<td>July 1, 2029</td>
<td>465,000</td>
<td>July 1, 2036*</td>
<td>2,400,000</td>
</tr>
</tbody>
</table>

*Final maturity.

The Series 2006B Bonds are subject to mandatory sinking fund redemption in part by lot, on July 1, 2009 and on each January 1 and July 1 thereafter until and including July 1, 2012, pursuant to the provisions of the Indenture, at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory sinking fund payments which are required to be made as set forth below:

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Principal Amount</th>
<th>Payment Date</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2009</td>
<td>$200,000</td>
<td>January 1, 2011</td>
<td>$120,000</td>
</tr>
<tr>
<td>January 1, 2010</td>
<td>110,000</td>
<td>July 1, 2011</td>
<td>120,000</td>
</tr>
<tr>
<td>July 1, 2010</td>
<td>110,000</td>
<td>January 1, 2011</td>
<td>135,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>July 1, 2012*</td>
<td>130,000</td>
</tr>
</tbody>
</table>

*Final maturity.

Thirty days prior to a sinking fund payment date for the Bonds, the Trustee shall proceed to select for redemption (by lot in such manner as the Trustee may determine) from all Bonds of each series and maturity Outstanding which are subject to sinking fund redemption on such date a principal amount of such Bonds equal to the aggregate principal amount of Bonds redeemable with the required sinking fund payment, and shall call such Bonds of such series and maturity for redemption from the particular sinking fund on the next January 1 or July 1, as appropriate, and give notice of such call.
At the option of Patriot Charter School Representative (so long as no Event of Default has occurred and is continuing under the Indenture) to be exercised by delivery of a written certificate to the Trustee and the City not less than 45 days next preceding any sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Bonds which are subject to sinking fund redemption on such date in an aggregate principal amount designated by Patriot Charter School Representative, or (ii) specify a principal amount of such Bonds of each series and maturity which prior to said date have been redeemed (otherwise than through the operation of such sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation for such Bonds. Each Bond so delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of Patriot Charter School on such sinking fund redemption date, and any excess shall be so credited against future sinking fund redemption obligations for Bonds proportionately to all remaining sinking fund payments. In the event Patriot Charter School Representative shall avail itself of the provisions of clause (i) of the first sentence of this paragraph the certificate required by the first sentence of this paragraph shall be accompanied by the Bonds to be canceled.

Notwithstanding any provision of the Indenture to the contrary, no additional notice shall be required with respect to mandatory sinking fund redemption unless requested by the holders of 100% of the principal amount of the Bonds, and Bonds need not be presented for mandatory sinking fund redemption payment.

Mandatory Redemption Upon Determination of Taxability. The Series 2006A Bonds are subject to mandatory redemption and payment prior to the stated maturity thereof in whole (or in part as described below), at a redemption price equal to one hundred five percent (105%) of the principal amount thereof, plus accrued interest to the redemption date, on any day within one hundred twenty (120) days after the occurrence of a Determination of Taxability. A "Determination of Taxability" shall be deemed to have occurred if a final decree or judgment of any federal court or a final action of the Internal Revenue Service is taken which determines that interest paid or payable on any Series 2006A Bond is or was includable in the gross income of any bondowner, beneficial owner, former bondowner or former beneficial owner for federal income tax purposes under the Code. No such decree, judgment or action will be considered final for this purpose, however, unless the Company has been given written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any bondowner, beneficial owner, former bondowner or former beneficial owner of a Series 2006A Bond and until the expiration of any period to request appellate review, if no appellate review is sought, or until conclusion of any appellate review, if appellate review is sought.

If an Opinion of Bond Counsel is delivered to the Trustee stating that the redemption of fewer than all of the Series 2006A Bonds would result in the interest on the Series 2006A Bonds outstanding following such redemption not being includable in the gross income for federal income tax purposes of the holders of such Series 2006A Bonds Outstanding, then fewer than all of the Series 2006A Bonds may be redeemed in the amount specified in such opinion, provided that such redemption must be in authorized denominations. If fewer than all Series 2006A Bonds are redeemed, the Trustee shall select the Series 2006A Bonds to be redeemed by lot or by such other method acceptable to the Trustee as may be approved in an Opinion of Bond Counsel.

Selection of Bonds to be Redeemed. If less than all of the Bonds of a series and maturity shall be redeemed, the Bonds or such series and maturity to be redeemed shall be selected by Patriot Charter School in such manner as Patriot Charter School may determine (with less than all Bonds to be selected by lot in such manner as the Trustee shall determine, giving proportionate weight to Bonds in denominations larger than the minimum authorized denominations. In case a Bond is of a denomination larger than the minimum authorized denomination, a portion of such Bond may be redeemed, but the unredeemed portion of such Bond shall not be less than the minimum authorized denomination of Bonds of such series. The Trustee may redeem Series 2006A Bonds so that the unredeemed portion is less than $250,000.

Notice of Redemption; Cessation of Interest. In the event any of the Bonds are called for redemption, the Trustee will cause notice of the call for redemption to be given not less than 30 days prior to the redemption date by mailing a copy of the notice by first class mail to the registered owners of the Bonds to be redeemed, at their addresses shown on the registration books; provided, however, that failure to give such notice, or any defect in the notice, will not affect the validity of any proceedings for the redemption of such Bonds. All Bonds called for redemption will
cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and will no longer be deemed to be outstanding under the provisions of the Indenture.

**Limited Obligations**

The Bonds are special, limited obligations of the City, payable from and secured solely by a pledge of the payments to be derived by the City pursuant to the Loan Agreement. All of the City's rights, title and interest in such payments are assigned to the Trustee to be applied to the punctual payment of the principal of, interest on and any premium in connection with the payment or redemption of the Bonds.

**THE BONDS AND THE INTEREST THEREON SHALL NEVER CONSTITUTE THE DEBT OR INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR STATUTES OF THE STATE OF FLORIDA OR ANY HOME RULE CHARTER OF ANY POLITICAL SUBDIVISION THEREOF AND SHALL NOT CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE CITY OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.**

**Book-Entry Only System**

The following description of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

**Introduction.** The information contained under the subcaption “General” has been obtained from sources that the City, the Trustee, Patriot Charter School and the Underwriter believe to be reliable, but the City, the Trustee, Patriot Charter School and the Underwriter make no representation as to the accuracy or the completeness of such information.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners of the Bonds (other than under the caption “TAX EXEMPTION”) shall mean Cede & Co. and not the Beneficial Owners of the Bonds.

**NONE OF THE CITY, THE TRUSTEE, PATRIOT CHARTER SCHOOL AND THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (a) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (b) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE REGISTERED OWNERS UNDER THE INDENTURE; (c) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (d) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF BONDS; OR (f) ANY OTHER MATTER.**

Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture.

**General.** The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond
certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the City or the Tender Agent on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or its nominee, the Tender Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Tender Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City, the Trustee, Patriot Charter School and the Underwriter believe to be reliable, but none of the City, the Trustee, Patriot Charter School and the Underwriter takes no responsibility for the accuracy thereof.

BONDHOLDERS’ RISKS

The following are certain investment considerations and risk factors which should be carefully considered by prospective purchasers of the Bonds. The following list should not be considered to be exhaustive and has been prepared within the context of this Limited Offering Memorandum. Additional risks are discussed throughout this Limited Offering Memorandum, and inclusion under the heading “BONDHOLDERS’ RISKS” should not be intended to signify any such risks are of more or less significance than those discussed elsewhere. Inclusion of certain factors below or elsewhere is not intended to signify that there are not other investment considerations or risks attendant to the Bonds.

Cautionary Statements Regarding Forward-Looking Statements in This Limited Offering Memorandum

When used in this Limited Offering Memorandum and in any continuing disclosure by Patriot Charter School, in Patriot Charter School’s press releases and in oral statements made with the approval of an authorized executive officer of Patriot Charter School, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. Patriot Charter School cautions readers not to place undue reliance on any such forward-looking statements. Patriot Charter School advises readers that certain factors could affect Patriot Charter School’s financial performance and could cause Patriot Charter School’s actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.
General

The purchase of the Bonds constitutes a speculative investment and involves certain investment risks which are discussed throughout this Limited Offering Memorandum. The Bonds should only be purchased by persons who can bear the continuing risk of a speculative investment. Particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds.

Limited Liability of City

The Bonds are not general obligations of the City. The Bonds and the interest thereon shall never constitute the debt or indebtedness of the City, the State or any political subdivision thereof within the meaning of any provision or limitation of the State Constitution or statutes or any home rule charter of any political subdivision thereof, and shall not constitute nor give rise to a pecuniary liability, or a charge against the general credit or taxing powers of the City or the State.

The Bonds and the interest thereon are special, limited obligations of the City, payable solely out of the payments derived by the City under the Loan Agreement from Patriot Charter School. Patriot Charter School anticipates that revenues for such payments under the Loan Agreement shall be derived from Base Rentals and the Additional Capital Contribution by the City under the Lease. The obligation of the City to pay Base Rentals under the Lease constitutes a special, limited obligation of the City, secured solely by and payable from Charter Revenues and Additional Revenue, when, as and if received by the City. See the caption “THE LEASE” in Appendix F hereto. Payment of Capital Contributions is subject to annual appropriation by the City.

Limitations on Charter Revenues

The availability of Charter Revenues under the Charter and of Additional Revenue and the levels of expenses with respect to school operations may affect the ability of the City to make payments under the Lease. Those Lease payments are anticipated to be Patriot Charter School’s sole sources of revenue. Patriot Charter School has no assets other than the Project. Future revenues and expenses will generally be subject to, among other things, general economic conditions, demographics with respect to the available pool of students, the capabilities of management in marketing and managing the Project, the availability of funds to maintain and expand the Project facilities, the availability of qualified instructors for the schools, changes in the economy in general, and other conditions which are unpredictable and which may adversely affect the ability of the City to pay obligations under the Lease and, in turn, Patriot Charter School’s ability to make payments under the Loan Agreement and the Management Agreement. Patriot Charter School has no resources other than amounts derived from the Lease. If sufficient funds are not generated from Charter Revenues, Additional Revenue and the Additional Capital Contribution, there can be no assurance that Patriot Charter School will have adequate funds to operate the Project successfully as a charter school and to pay amount due under the Loan Agreement.

There are a number of factors affecting charter schools in general that could have an adverse effect on the City’s ability to make the payments required under the Lease. These factors include, but are not limited to, the ability to attract a sufficient number of students; increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of a the Project’s work force with consequent impact on wage scales and operating costs; and changes in existing statutes pertaining to the powers of charter schools and legislation or regulations which may affect program funding. Neither the City nor Patriot Charter School can assess or predict the ultimate effect of these factors on their operations or financial results of operations.

Charter Revenues include, but are not limited to, (i) state and local funds apportioned to the City from the Brevard County School Board, in accordance with a statutory formula based on the number of weighted full-time equivalent students (“FTEs”) attending the Project facilities (the “School Board Revenues”), (ii) state revenues allocated to the City appropriated by the State of Florida for charter school capital outlay funding purposes, if any, (“Capital Outlay Revenues”) (iii) fee income derived from related operations of facilities at Patriot Charter School, if any, such as pre-school or child care (the “Fee Income”) and (iv) lease payments made to the City or Patriot Charter
School by third party users of the Project. It should be noted that in order to be eligible for Capital Outlay Revenues, a charter school must (i) have been in operation for at least three years, (ii) be an expanded feeder chain of a charter school within the same district that is currently receiving Capital Outlay Revenues, or (iii) have been accredited by the Southern Association of Colleges and Schools. The Project is not eligible for Capital Outlay Revenues at this time.

A significantly large percentage of the revenues received from the State are generated from the levy of the state sales tax. The amounts budgeted for distribution from the State are subject to change in the event that projected sales tax and other state revenues are not realized. The State has experienced some significant shortfalls in sales tax revenues in recent years which have resulted in cuts to Capital Outlay Revenues on a per student basis. The ability of the Project to pay its costs of operation in the future may be partially dependent on the level of Capital Outlay Revenues appropriated each year by the Florida Legislature. Although the number of charter schools has increased in Florida over the last several years, there has not been a concurrent increase in appropriations for capital outlay funds for charter schools, resulting in the reduction of per student appropriations of Capital Outlay Revenues over the last few years. If sales tax revenue continue to fall short of the anticipated levels in the State of Florida, and alternate revenue sources are not designated for charter school funding requirements, the per student level of capital outlay funding for charter schools may continue to diminish. This continued reduction in Capital Outlay Revenues could result in a reduction in Charter Revenues, which would be anticipated to limit Patriot Charter School’s ability to make payments due under the Loan Agreement. School Board Revenues alone, without Capital Outlay Revenues, may not be sufficient over time to pay all payments under the Lease. In such event, a termination of the Lease could occur, which termination could lead to default in the payment of principal and the acceleration of Bonds.

In addition, the State’s payment of funds to school boards with respect to Florida charter schools is subject to annual appropriation by the State legislature. While there are approximately 330 charter schools in Florida, educating approximately 100,000 students, there can be no assurance that the State will continue to provide funding for charter schools, or that funding will continue at the present levels or at levels necessary to provide for future charter school operations.

In addition, nationally charter schools in general have come under some criticism as having failed to meet certain objectives in educating students to a success level above students in traditional public school systems. Proponents of charter schools have indicated that comparisons used in such critiques often fail to measure performance between similarly situated schools, or fail to acknowledge the time that will be required for a charter school system to develop historically significant data. In any event, the politically sensitive issues surrounding the development of charter schools will continue to warrant public and media attention, and any development of a national sense that charter schools do not present a fiscally responsible alternative could adversely affect the willingness of states, including Florida, to fund charter school operations, or the willingness of local school officials to approve or renew school charters.

In the event that Charter Revenues and Additional Revenue are not sufficient to provide for the payment of Base Rental due under the Lease, and to pay Operating Expenses of the Project (other than the Management Fee and the Property Management Fee) the Trustee will within ten days request an appropriation for such purpose, by providing notice to the City Manager. In accordance with the Lease, the City Manager will take action within thirty days to submit an appropriation request to the City Council. The City Council will consider such request within thirty days, and may, in its discretion, appropriate other funds for such purpose, but is not legally obligated to do so. The appropriation of such funds would be on a Fiscal Year to Fiscal Year basis, and would begin following all expenditure of capitalized interest for the Project, and continue until such time as the Long Term Debt Service Coverage Ratio (as herein defined, but calculated without the Management Fee and the Property Management Fee), expressed as a percentage, shall equal or exceed 100% for two successive Fiscal Years, as evidenced by the Audited Financial Statements of Patriot Charter School. In the event that the City advances funds to the Trustee from other legally available funds of the City, the City is entitled, under the Indenture, to be reimbursed from Charter Revenues and Additional Revenue if and when available, on a basis subordinate to payment of the Bonds.

Also, payment of the Additional Capital Contribution made by the City shall be applied to the Project. However, the City is under no contractual obligation to make the Additional Capital Contribution. In addition, any obligation to consider any such advances for payment of Base Rent or Operating Expenses is effective only if Charter
Revenues and Additional Revenues are available but are insufficient to pay Base Rentals and Operating Expenses (excluding the Management Fee and Property Management Fee). The City Council is under no obligation to appropriate any amounts in response to an appropriation request, but is obligated only to give consideration to such request.

**Termination of the Charter by the School Board.** The sole source of revenue to Patriot Charter School is expected to be Lease payments from the City. The sole source of revenues to the City for Base Rental and Additional Rent payments is expected to be Charter Revenues. However, at the present time, the Charter for the School expires in 2020. The Charter provides that it may be renewed for an additional five-year term but there can be no assurance that the School Board will renew the Charter for such period or additional periods. Also, the Charter, by its terms and in accordance with Florida Statutes, may be terminated for cause, including a failure to meet the requirements for student performance, generally measured by assessment programs used by the School Board and assessments required by the Florida Department of Education.

In addition, the Charter may not be successfully assigned except to an assignee approved by the School Board. There is no assurance that such an assignee can be identified.

Also, the ability to successfully operate the Project will depend on effective management. In the event the City is unwilling to continue engaging the Manager as manager of the Project, particularly following a default by the Manager under the Management Agreement, the City may not be able to identify and engage a replacement manager in a timely manner, particularly a replacement manager willing to subordinate management fees to the payment of the Bonds.

**Competition for Students.** The school will be competing for students within Brevard County (from public schools and other charter schools), and private schools within or near the City. In fact, the City anticipates submitting applications to operate additional charter schools. There can be no assurance that the Project will attract and retain the number of students that are needed to produce the revenues that are necessary to operate the school. The City has undertaken an independent analysis in connection with the anticipated available pool of potential students for Patriot Charter School, and anticipated capacity of schools in the area in which Patriot Charter School will be located. See “THE PROJECT—Anticipated Demand” in Appendix C hereto. See, also, “Appendix H – CITY OF PALM BAY SCHOOL ANALYSIS.” However, projections of student populations are based on assumptions deemed reasonable in the circumstances in which they have been made, but actual results realized by Patriot Charter School will vary from any projections, and such variance may be material.

In addition, it can be expected that various “voucher” initiatives will be proposed from time to time. Under a typical “voucher” plans, State money targeted for public schools would be given to parents in the form of vouchers, which could be applied toward the cost of sending children to any public, private or parochial school in the State. Adoption of a general “voucher” plan could adversely impact the operation of charter schools in the State of Florida.

**Development and Construction Risks**

The Project is under construction by R.A. Rogers Construction Co. (the “Contractor”) under and pursuant to an Agreement between Owner and Contractor (the “Construction Contract”) with Alliance Development Co. (“Alliance”). See “Other Risks—Significant Contracts” below. See, also, “Appendix C-THE PROJECT.” The Construction Contract is being assigned by Alliance to Patriot Charter School. PROSPECTIVE INVESTORS MUST CAREFULLY EVALUATE THE CONSTRUCTION RISKS ASSOCIATED WITH THE PROJECT.

Although the Construction Contract provides for a “Contract Sum” and a date for “Substantial Completion,” both the construction price and completion date are subject to certain variables that could result in cost overruns and delays for which the Contractor would have no responsibility. If cost overruns and delays occur, it may be necessary to redesign the Project, and there may not be sufficient funds to complete the Project, either of which could result in an inability to pay the Bonds.
For example, the Contractor has no responsibility or liability, and the completion date may be extended, for delays beyond the control of the Contractor. In the event of a dispute between Patriot Charter School and the Contractor over any change in the scope of work under the Construction Contract, there can be no assurance that Patriot Charter School will prevail or that there will not be material delays in determining the liability of, or obtaining payment by, the Contractor for such cost overruns. Cost overruns and delays are a significant risk to be considered in investing in the Bonds.

In the event that there is a delay in completing the Project, the Contractor is required to pay delay liquidated damages; however, the amount of such damages is limited to $250,000.

In addition, completion of the Project will depend on the timely receipt of all permits required for construction and occupancy. In light of the process for recruiting potential students during construction, and the likelihood that parents may be disinclined to enroll students in temporary or incomplete facilities, or at any time other than the commencement of a school year, a failure to complete the Project prior to the 2006-2007 school year could be expected to have a material adverse impact on the success of the Project.

There are also other risks unique to start-up charter schools, which have no operating history on which potential investors may rely. Those risks include identifying and recruiting potential students, identifying and recruiting a school principal and senior management (both for purposes of school operation and school recruitment) and identifying and recruiting qualified teachers and administrative staff. Patriot Charter School does not have and is not anticipated to have any substantial assets beyond the Project facilities. Patriot Charter School is a newly formed limited liability company, with no employees and no experience in the operation of Charter Schools. While the City has engaged the Manager, the sole member of which is Charter Schools USA, there are no guaranties of payment or performance from The Lee Charter Foundation, Inc., Charter Schools USA, the Manager, the City or any other party.

Operating Risks

The Bonds are payable solely from payments to be made by Patriot Charter School pursuant to the Loan Agreement. Those payments, in turn, are to be derived from Base Rental payments required to be made by the City pursuant to the Lease, which obligations are secured solely by a lien on and pledge of Charter Revenues and Additional Revenue, and from the Additional Capital Contribution, if any, by the City. Prospective investors should carefully evaluate the conditions under the Charter to the City’s right to receipt of such Charter Revenues, the adequacy of such Charter revenues, and the ability of Patriot Charter School to repay the loan from such amounts pledged under the Loan Agreement. Future revenues and expenses of Patriot Charter School are subject to conditions which may change in the future to an extent that cannot be determined at this time.

Neither the City nor Patriot Charter School has prepared an independent study with respect to the reasonableness of anticipated income and expenses of the Project. Patriot Charter School projections of operating expense are based on assumptions deemed reasonable in the circumstances in which they have been made, any such projections, and the assumptions on which they are based, have not been independently verified or reviewed. Actual results realized by Patriot Charter School will vary from any projections, and such variance may be material.

Florida and the southeastern United States have experience historic levels of property damage in recent years caused by severe adverse weather conditions. Patriot Charter School is required under the Loan Agreement to cause the Project to be insured by policies of casualty and property damage insurance and the amount of such insurance shall be not less than the replacement value of the Project or the principal amount of the Bonds then outstanding, whichever is greater. There is no assurance, however, that such amount will be adequate to repair and replace lost, damaged or destroyed property constituting part of the Project, or that insurance will be available at commercially-reasonable rates in the near or long-term future, or that moneys made available by reason of any such occurrence will be sufficient to redeem the Bonds or replace such property.
Risks Related to Remedies

**Pledge, Assignment, and Grant of Security Interest.** Pursuant to the Loan Agreement, Patriot Charter School will grant a mortgage interest in the Project. The Project is located on land leased to Patriot Charter School from the City, and any foreclosure rights with respect to the Project Site will be limited to such leasehold interest. There can be no assurances that any proceeds collected from a foreclosure or other remedial action with respect to the Project will produce proceeds sufficient to discharge the Bonds.

In addition, certain interests and claims of others may be on a parity with or prior to the pledge, assignment, and grant of the security interest made in the Loan Agreement and in such instruments, and certain statutes and other provisions may limit the right of Patriot Charter School or the Trustee to make such pledges, assignments, and grants of security interests. Examples of such claims, interests, and provisions are:

(A) statutory liens,

(B) the Uniform Commercial Code may not recognize a security interest in future revenues derived from the Facilities,

(C) constructive trusts, equitable liens, or other rights impressed or conferred by any state or Federal court in the exercise of its equitable jurisdiction,

(D) Federal bankruptcy laws as they affect amounts earned with respect to the Facilities after any effectual institution of bankruptcy proceedings by or against Patriot Charter School,

(E) as to those items in which a security interest can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the Trustee,

(F) prohibitions against assignment contained in Federal or state statutes,

(G) items not in possession of the Trustee, the records to which are located or moved outside the State of Florida, and which are thereby not subject to or are removed from the operation of Florida law,

(H) the requirement that appropriate continuation statements be filed in accordance with the Uniform Commercial Code as from time to time in effect, and

(I) “Permitted Liens”, as defined in the Loan Agreement.

**Bankruptcy.** Bankruptcy proceedings and equity principles may delay or otherwise adversely affect the enforcement of Bondholders’ rights in the property granted as security for the Bonds. The Federal bankruptcy laws may have an adverse effect on the ability of the Trustee and the Bondholders to enforce their claim to the security granted by the Indenture and the Loan Agreement. Federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the Bonds, if the Bondholders and other creditors are provided with the benefit of their original lien or the “indubitable equivalent.” In addition, if the bankruptcy court concludes that the Bondholders have “adequate protection”, it may (1) substitute other security subject to the lien of the Bondholders; and (2) subordinate the lien of the Bondholders (a) to claims by persons supplying goods and services to Patriot Charter School after bankruptcy, and (b) to the administrative expenses of the bankruptcy proceeding. The activities of Patriot Charter School are not limited to the Project. In the event of bankruptcy of Patriot Charter School, the Lease might be terminated as an executory contract, and the amount realized by the Bondholders might depend on the bankruptcy court’s interpretation of “indubitable equivalent” and “adequate protection” under the then existing circumstances. The bankruptcy court may also have the power to invalidate certain provisions of the Loan Agreement that make bankruptcy and related proceedings by Patriot Charter School an event of default thereunder.
Liquidation of Security May Not Be Sufficient in the Event of a Default. Patriot Charter School makes no representation as to the value of the Project for the purposes of any disposition, including in condemnation, foreclosure sale or delivery of a deed in lieu of a foreclosure. The Project has been specially designed for school purposes. While the design of the Project facilities contemplates alternative uses (such as private educational facilities or, with some additional tenant finish, office facilities) the remedies and potential alternative purchasers or lessees of the Project will be severely limited. In addition, certain alternative uses (such as office use) may require re-zoning of the Project Site or additional licensing or permitting. The Project is located on land leased to Patriot Charter School from the City, and any foreclosure rights with respect to the Project Site will be limited to such leasehold interest. For these reasons, no assurance can be given that the amount realized upon any forced sale of the Property or any equipment used at such facilities would be sufficient to pay and discharge the Bonds.

Limitations on Remedies. The practical realization of value from the Project upon any default will depend upon the exercise of various remedies specified by the Loan Agreement. These and other remedies may in many respects require judicial actions which are often subject to discretion and delay. Under existing law, the remedies specified by the Indenture and the Loan Agreement may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws or equitable principles affecting the enforcement of creditors’ rights generally.

Redemption. The Bonds are subject to optional, extraordinary and mandatory redemption upon the occurrence of a certain events as herein described. See “THE BONDS—Redemption Prior to Maturity” herein.

Other Debt

Under certain circumstances, Patriot Charter School may also incur additional indebtedness, including indebtedness on parity with the Bonds. See “DOCUMENTS—THE LOAN AGREEMENT—Additional Indebtedness” in Appendix G hereto. If Patriot Charter School incurs additional indebtedness or the City issues any Additional Bonds pursuant to the Indenture on a parity basis with the Bonds, the revenues of Patriot Charter School available to pay for the Bonds are limited and may be inadequate to timely pay for and discharge the indebtedness with respect to the Bonds.

Other Risks

Significant Contracts. The Manager will execute the Management Agreement, pursuant to which the Manager will be primarily responsible for the organization, planning and implementation of all operational activities of the Project. As such, any prospective investor should carefully evaluate the ability of the Manager and its sole member, CSUSA, to perform its obligations under the Management Agreement. See “Appendix D-CHARTER SCHOOLS USA, INC.”

In addition, ACS II, LLLP, a principal of which is a principal in CSUSA (the “Developer”), will execute a Development Agreement (the “Development Agreement”) with Patriot Charter School, pursuant to which the Developer is entitled to a fee, payable in installments of approximately $175,000 annually over the next twenty years, in consideration of successfully implementing the design, construction and financing of the Project. The Developer will also execute a Property Management Agreement with respect to the management of the physical plant of the Project. Each of the Developer and the Manager has agreed to subordinate such fees to the payment of the Bonds. However, replacement of a school operator and a facility operator in the event the Management Agreement or Property Management Agreement is terminated (each of which agreements has a term of fifteen years) with contractors who will agree to subordinate such fees may be difficult. The Developer will assign and transfer its interest in the Project to Patriot Charter School upon payment of the construction costs (including construction loan costs) by Patriot Charter School. It should be noted that payments under the Development Agreement will be forgiven for a period of five years, and the Developer shall pay a per diem penalty of $10,000, in the event the Project is not available for occupancy by July 21, 2006.
**Absence of Rating and Secondary Market.** The Bonds have not been rated and no rating has been applied for. The Underwriter has no obligation to make a secondary market in the Bonds. Therefore, there can be no assurance that a secondary market for the Bonds will exist.

**Miscellaneous.** The occurrence of any of the following events, or other unanticipated events, could adversely affect the construction or operations of Patriot Charter School and the Facilities:

1. Reinstatement of or establishment of mandatory governmental wage, rent or price controls.
2. Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of Patriot Charter School.
3. The occurrence of any natural disasters or other disruptions that impact the operations of the Property.

**Restrictions on Purchase; Suitability.**

The offering of the Bonds is being made to a limited number of “accredited investors,” within the meaning of Section 2(a)(15) of the Securities Act of 1933, as amended, who are knowledgeable and experienced in investments such as the Bonds, and who are not purchasing with a view to distributing the Bonds. Moreover, the Bonds are an illiquid investment and are being issued in minimum initial denominations of $250,000, in the case of the Series 2006A Bonds and in minimum initial denominations of $100,000, in the case of the Series 2006B Bonds. No secondary market currently exists for the Bonds and no such market is anticipated to develop. Therefore, the Bonds should not be purchased by an investor unless the investor is able to hold such Bonds indefinitely, and unless the investor is able to bear the economic risk associated with such purchase, including loss of all or a portion of such investment. Each initial purchaser of the Bonds will be required to execute an investment letter including the information specified in “NOTICE TO INVESTORS” herein,

The foregoing suitability standards are minimum requirements for prospective purchasers of the Bonds. The satisfaction of such standards does not necessarily mean that the Bonds are a suitable investment for a prospective investor. Accordingly, each prospective investor is urged to consult with its own legal, tax and financial advisors to determine whether an investment in Bonds is appropriate in light of its individual legal, tax and financial situation.

**ESTIMATED SOURCES AND USES OF FUNDS**

The sources and uses of funds with respect to the Project are expected to be as follows:

**Sources of Funds:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds of Series A Bonds</td>
<td>$20,175,000</td>
</tr>
<tr>
<td>Proceeds of Series B Bonds</td>
<td>925,000</td>
</tr>
<tr>
<td>Estimated Investment Proceeds</td>
<td>110,000</td>
</tr>
<tr>
<td>City’s Initial Capital Contribution</td>
<td>200,000</td>
</tr>
</tbody>
</table>

**Total Sources** $21,410,000
Uses of Funds:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Acquisition and Construction</td>
<td>$14,666,766</td>
</tr>
<tr>
<td>Pre-opening and Marketing</td>
<td>850,000</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>2,170,000</td>
</tr>
<tr>
<td>Costs of Issuance</td>
<td>1,406,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>608,679</td>
</tr>
<tr>
<td>Debt Service Reserve</td>
<td>1,708,555</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$21,410,000</strong></td>
</tr>
</tbody>
</table>

THE PLAN OF FINANCE

In addition to the issuance of the Bonds for the purpose of financing the Project construction, additional capital and infrastructure requirements (as well as the underlying Project Site) will be provided by the City. The cost (or with respect to the Project Site, the value) of such additional contributions, as well as the total Project costs, are anticipated to be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Financing</td>
<td>$21,410,000</td>
</tr>
<tr>
<td>City Off-Site Improvements</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Project Site</td>
<td>600,000</td>
</tr>
<tr>
<td><strong>Total Facilities Financing</strong></td>
<td><strong>$23,010,000</strong></td>
</tr>
</tbody>
</table>

The Project Site is adjacent to approximately twelve acres of property previously acquired by the City along with the Project Site. The City anticipates construction of park and recreational facilities on such adjacent property, allowing shared parking with school facilities, and allowing use by school students of the park and recreational facilities. In addition to City off-site improvements, the City anticipates making the Additional Capital Contribution under the Lease of $100,000 on October 1, 2006. Payment of such Additional Capital Contribution is subject to appropriation by the City from legally available funds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Description

The Bonds and the interest thereon will be special, limited obligations of the City payable solely out of the payments to be made pursuant to the Loan Agreement by Patriot Charter School (except to the extent paid out of moneys attributable to capitalized interest, Bond or refunding bond proceeds, or the income from the investment thereof and, under certain circumstances, Net Proceeds of insurance, sales and condemnation awards). The Bonds and interest thereon shall never constitute a debt or indebtedness of the City within the meaning of any provision or limitation of the laws or Constitution of the State or any home rule charter, and shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers. Neither the full faith and credit nor the taxing power of the City, the State, or any subdivision thereof, is pledged to the payment of the principal of, premium, if any, and interest on the Bonds. There is likewise no personal liability for any payments due under the Loan Agreement or the Bonds on the part of any officer or employee of the City or member of its Council, or any officer or employee of Patriot Charter School or member of its Board.

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1 This amount has been estimated by Patriot Charter School, but no formal appraisal of the Project Site has been prepared.
The Loan Agreement

The Loan Agreement requires that Patriot Charter School make payments to the City in amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds from time to time outstanding under the Indenture. All of the City's rights in and to the Loan Agreement and all payments thereunder (except for the City's right to its fees, expenses, advances, indemnification and taxes) are assigned to the Trustee pursuant to the Indenture. See Appendix F, “DOCUMENTS—THE LOAN AGREEMENT.”

The obligations of Patriot Charter School under the Loan Agreement will be secured by (i) a leasehold mortgage interest in the Project Site for the benefit of the Trustee pursuant to the Loan Agreement, (ii) a mortgage interest in the Project pursuant to the Loan Agreement, and (iii) an assignment of the Lease and rights to receive Base Rental payments, Additional Rent and Capital Contributions payable thereunder.

Patriot Charter School anticipates that substantially all of the revenues available for payments under the Loan Agreement shall be derived from its lease of the Project to the City pursuant to the Lease, including Base Rentals, Additional Rent and Capital Contributions payable by the City under the Lease, and amounts on deposit in certain Funds created in the Indenture.

Financial Covenants

The following is a brief description of certain financial covenants undertaken by Patriot Charter School and other covenants of the City, respectively, pursuant to the Loan Agreement. For a description of the various capitalized terms used herein, see “APPENDIX A—DEFINITIONS.”

Debt Service Coverage Ratio. Beginning after the Fiscal Year ending June 30, 2008, Patriot Charter School shall calculate annually the Long-Term Debt Service Coverage Ratio for the Fiscal Year prior to the date of any such calculation, and shall provide a copy of such calculation for such period to the Trustee and Notice Beneficial Owners at the time of delivery of the annual audited financial statements. If the Long-Term Debt Service Coverage Ratio computation delivered at the time of delivery of any such statement indicates that the Long-Term Debt Service Coverage Ratio of Patriot Charter School for such previous Fiscal Year shall be less than 1.20 to 1.00, Patriot Charter School covenants to retain a Consultant at the expense of Patriot Charter School, within 30 days, to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the then-current Fiscal Year to such level or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. Any Consultant so retained shall be required to submit such recommendations to the Trustee and the Notice Beneficial Owners within 90 days after being so retained. Patriot Charter School agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. Patriot Charter School shall not be obligated to retain such a Consultant more often than once during any twenty-four month period.

Enrollment Covenants. At the same time it files reports with the State and the School Board but not less than once each academic semester, Patriot Charter School shall calculate the student enrollment for the current academic semester and shall furnish an Officer's Certificate reflecting such enrollment to the Trustee and the Notice Beneficial Owners. Patriot Charter School covenants that the Facilities shall obtain student enrollment at the levels indicated for each academic semester during each Fiscal Year as follows:

<table>
<thead>
<tr>
<th>School Year</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2007</td>
<td>788</td>
</tr>
<tr>
<td>2007-2008</td>
<td>1,080</td>
</tr>
<tr>
<td>2008-2009 and thereafter</td>
<td>1,337</td>
</tr>
</tbody>
</table>
Patriot Charter School covenants to retain a Consultant at the expense of Patriot Charter School, within 30 days, to make recommendations to increase enrollment.

Any Consultant so retained shall be required to submit such recommendations to the Trustee and the Notice Beneficial Owners within 90 days after being so retained. Patriot Charter School agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. Patriot Charter School shall not be obligated to retain such a Consultant more often than once during any twenty-four month period.

Limitations on Indebtedness. Patriot Charter School may incur Additional Indebtedness, if the Income Available for Debt Service for the four immediately preceding fiscal quarters of Patriot Charter School is not less than 120% of the Long-Term Debt Service Requirements in such period, taking into account the Loan and Indebtedness then Outstanding and the Additional Indebtedness proposed to be incurred and so long as the total amount of Additional Indebtedness outstanding at any time does not exceed 10% of the book value of the Patriot Charter School’s unrestricted assets, determined in accordance with generally accepted accounting principals. In addition, Patriot Charter School may incur Parity Indebtedness as provided the Loan Agreement, with consent of the holders of 100% of the Bonds.

Limitations on Additional Facilities. The City agrees that it will not operate a charter school for elementary or middle school students within five miles of the Project without the written consent of the Holders or Beneficial Owners of not less than 90% in principal amount of the Bonds Outstanding, unless either:

1) there shall be delivered to the Trustee (i) an independent market analysis issued by a professional consultant of national repute for having skill and experience necessary to render the opinions addressed in this section, which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of the Company, the Manager, the Project Manager, or the sole member of the Company, and which consultant is reasonably acceptable to the City, to the Manager and to the Holders or Beneficial Owners of not less than 90% in principal amount of the Bonds Outstanding, which market analysis shall include the opinions of the consultant to the effect, and conclude (A) that a reasonable need exists for the proposed new charter school, and (B) that at the time of such market analysis enrollment at the Facilities is not less than 90% of the budgeted enrollment for the relevant Fiscal Year, as indicated in the Limited Offering Memorandum delivered in connection with the issuance of the Bonds ("Budgeted Enrollment"), and that following the opening of the proposed new charter school enrollment at the Facilities is reasonably anticipated to be not less than 90% of the Budgeted Enrollment for the relevant Fiscal Year, and (C) that the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year prior to the date of such market analysis was not less than 1.20 to 1.00, and that the Long-Term Debt Service Coverage Ratio for the Fiscal Year following the opening of the proposed new charter school is reasonably anticipated to be not less than 1.20 to 1.00, and (ii) evidence that the enrollment at the Facilities has been not less than 90% of Budgeted Enrollment for at least three (3) consecutive Fiscal Years; or

2) the City has delivered to the Trustee a certificate executed by the City Representative to the effect that the Facilities have operated with enrollment not less than 1,440 students for at least three consecutive school years.

In addition, CSUSA agrees that neither CSUSA nor any affiliate thereof will own or operate a charter school for elementary or middle school students within five miles of the Project unless the criteria specified above for the City are satisfied.

Liquidity Covenant. Patriot Charter School shall, within 60 days following delivery of its annual budget as provided in the Loan Agreement, commencing with the budget for the fiscal year ending in 2009, calculate the Average Daily Expenses for the Project, based upon such budget. “Average Daily Expenses” shall mean (A) budgeted cash requirements for the Project during such fiscal year (excluding from such calculation all (i) depreciation and other non-cash items, (ii) an amount equal to 50% of the scheduled fees for such period under the Management Agreement and the Property Management Agreement, (iii) any deferred fees for such period under the Management Agreement and the Property Management Agreement, as provided in this section, and (iv) principal of and interest on Subordinate Debt during such period, and including within such calculation (i) all Operating Expenses for such fiscal
year (subject to the foregoing exclusion of fees), and (ii) Long-Term Debt Service Requirements payable during such fiscal year, divided by (B) 360. Patriot Charter School agrees that it shall have unrestricted available funds on hand as of thirty days prior to each Interest Payment Date during each of the following fiscal years, in an amount equal to the Average Daily Expenses for such fiscal year, times the number of days indicated:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>No. of Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>20</td>
</tr>
<tr>
<td>2009-10</td>
<td>25</td>
</tr>
<tr>
<td>2010-11</td>
<td>30</td>
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<td>2011-12</td>
<td>35</td>
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<tr>
<td>2012-13</td>
<td>40</td>
</tr>
<tr>
<td>2013-14</td>
<td>45</td>
</tr>
<tr>
<td>2014-15 and thereafter</td>
<td>50</td>
</tr>
</tbody>
</table>

Patriot Charter School shall provide a certificate to the Trustee as to compliance with the foregoing covenant on or before each Interest Payment Date. In the event Patriot Charter School shall fail to have such an amount on deposit on any Interest Payment Date, or shall fail to provide a certificate to the Trustee as to such compliance, it shall not be a default or Event of Default under the Loan Agreement or the Indenture, but payments under the Management Agreement, the Property Management Agreement and the Development Agreement shall be deferred until such time as such amounts are available, as evidenced by a certificate of Patriot Charter School to the Trustee.

**Pledge of Payments under the Loan Agreement**

Patriot Charter School’s rights under the Lease shall be assigned to the Trustee as collateral for the obligations of Patriot Charter School under the Loan Agreement. The Lease shall provide that City shall deposit into the Revenue Fund created under the Indenture and held by the Trustee an amount equal to the entire Charter Revenue payable to the City by the School Board of Brevard County, Florida (the “Board”) (other than (i) an amount permitted to be retained by the Board as described herein under the caption “FLORIDA CHARTER SCHOOLS—The School Charter” in Appendix B hereto, and (ii) any amounts which, under the laws of the State of Florida, may not be applied to the uses provided in the Lease).

Amounts deposited by the City with the Trustee (and any investment income transferred to the Revenue Fund) shall be applied by the Trustee monthly as follows, to the extent of funds on deposit in the Revenue Fund:

(a) first, to the Bond Interest Fund, 1/6 of the installment of interest due on the Bonds on the next Interest Payment Date (after credit for any capitalized interest), plus any deficiencies for any previous month’s deposit;

(b) second, commencing January 1, 2008, to the Bond Principal Fund, 1/6 of the mandatory sinking fund installments of principal due on the Bonds on the next Interest Payment Date, plus any deficiencies for any previous month’s deposit;

(c) third, to the Debt Service Reserve Fund, to the extent the amounts on deposit therein shall be less than the Debt Service Reserve Fund Requirement, the amount of any deficiency;

(d) fourth, to the Operating Expense Fund, monthly amounts budgeted for the payment of Operating Expenses for the Project (other than amounts payable under the Management Agreement or the Property Management Agreement);

(e) fifth, to the Repair and Replacement Reserve Fund, an amount equal to (i) $14,600 per month during the Fiscal Year ending in 2007, and (ii) $27,100 per month during the Fiscal Year ending in 2008, (iii) thereafter, all remaining amounts, to the extent the amounts on deposit therein shall be less than the Repair and Replacement Reserve Fund Requirement;
(f) sixth, remaining amounts will be (A) paid to the City to reimburse any amounts budgeted, appropriated and advanced pursuant to a request from the Trustee (which the City is under no obligation to advance) and (B) then deposited with Patriot Charter School, to be used only (i) in connection with the operation and maintenance of the Project, or (ii) in connection with the expansion of the Project or the acquisition of other real or personal property in connection therewith, or (iii) for the payment of any amounts payable under (a) through (f) above, or (iv) to the payment of amounts due to the Manager under the Management Agreement, or (v) to the payment of unpaid annual Developer Agreement installments, or (vi) to establish or maintain reserves or accounts necessary to assure compliance with the provisions of the Loan Agreement described above under “- Financial Covenants – Liquidity Covenant.” Such amounts may also be distributed to Lee Charter Foundation, the sole member of Patriot Charter School, or may be paid to CSUSA, the City, the Manager or any successor manager, to reimburse any such person for permitted expenditures, including repayment of advances made by the City in the event Charter Revenue and Additional Revenue are not sufficient to pay all principal of interest due on the Bonds and to pay Operating Expenses of the Project. See “DOCUMENTS—THE LEASE” and “-THE MANAGEMENT AGREEMENT” in Appendix G.

Trust Funds

The Trust Funds established under the Indenture include the following:

Bond Principal Fund and the Bond Interest Fund. There shall be deposited into the Bond Interest Fund all capitalized and accrued interest, if any. In addition, there shall be deposited into the Bond Principal Fund or the Bond Interest Fund, as appropriate, and as and when received (i) all required deposits from the Revenue Fund, (ii) all moneys transferred to the Bond Interest Fund and the Bond Principal Fund from the Project Fund pursuant to the Indenture, (iii) all moneys transferred to the Bond Interest Fund and the Bond Principal Fund from the Debt Service Reserve Fund pursuant to the Indenture, (iv) all other moneys required or permitted to be deposited into the Bond Principal Fund or Bond Interest Fund pursuant to the Loan Agreement or the Indenture, including any supplements to the Indenture, and (v) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or the Indenture that such moneys are to be paid into the Bond Principal Fund or Bond Interest Fund. There shall also be retained in the Bond Principal Fund and Bond Interest Fund, interest and other income received on investment of moneys in the Bond Principal Fund and Bond Interest Fund to the extent provided in the Indenture. Except as provided in the Indenture, monies in the Bond Principal Fund shall be used solely for the payment of the principal of and premium, if any, on the Bonds, and monies in the Bond Interest Fund shall be used solely for the payment of the interest on the Bonds.

Debt Service Reserve Fund. There shall be deposited into the Debt Service Reserve Fund $1,708,555 of proceeds of the Bonds. There shall also be deposited into the Debt Service Reserve Fund (i) all moneys required to be deposited therein pursuant to the Loan Agreement or the Indenture, and (ii) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or the Indenture that such moneys are to be paid into such account. Except as required in the Indenture with respect to rebate, monies in the Debt Service Reserve Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Principal Fund and Bond Interest Fund to the extent provided in the Indenture. Except as provided in the Indenture, monies in the Bond Principal Fund shall be used solely for the payment of the interest on the Bonds.

Repair and Replacement Reserve Fund. There shall be deposited into the Repair and Replacement Reserve Fund monthly deposits from the Revenue Fund as described above. In addition, there shall be deposited into the Repair and Replacement Reserve Fund (i) all moneys required or permitted to be deposited into the Repair and Replacement Reserve Fund pursuant to the Loan Agreement and the Indenture, and (ii) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or the Indenture that such moneys are to be paid into the Repair and Replacement Reserve Fund. Moneys on deposit in the Repair and Replacement Reserve Fund shall be used to pay the cost of items properly chargeable to the capital account of Patriot Charter School under generally accepted accounting principles for the repair or replacement of real or personal property constituting a part of the Improvements under generally accepted accounting principles. Amounts on deposit in the Repair and Replacement Reserve Fund may not be used for capital costs of new construction or new property which is neither a renewal nor a replacement of the
Improvements except with the written consent of a majority of the Bondholders. Moneys in the Repair and Replacement Reserve Fund shall be disbursed by the Trustee upon receipt of an invoice therefor from the Manager (or any replacement manager). The Trustee is authorized and directed to issue its checks on the Repair and Replacement Reserve Fund for each payment pursuant to the Loan Agreement. Amounts on deposit in the Repair and Replacement Reserve Fund in excess of the Repair and Replacement Reserve Fund Requirement shall be transferred to the Revenue Fund.

Project Fund. Proceeds of the sale of the Bonds (other than amounts deposited to the Debt Service Reserve Fund, the Cost of Issuance Fund or the Bond Interest Fund, and after payment to Patriot Charter School of the amount specified in the Indenture, to be used for working capital requirements of Patriot Charter School) shall be deposited in the Project Fund. Money in the Project Fund shall be applied to pay costs of the acquisition, construction, improvement or equipping of the Facilities and all other necessary and incidental expenses in connection with the foregoing. Amounts remaining in the Project Fund following completion of construction of the Project Fund may be applied by Patriot Charter School to purposes permitted under the Indenture.

Cost of Issuance Fund. Patriot Charter School shall deposit to the Cost of Issuance Fund from proceeds of the Bonds an amount sufficient to pay all costs incurred in connection with the authorization, issuance and sale of the Bonds, to the extent the same are approved by Patriot Charter School.

Operating Expense Fund. There shall be deposited into the Operating Expense Fund monthly deposits from the Revenue Fund as described above. In addition, there shall be deposited into the Operating Expense Fund (i) all moneys required or permitted to be deposited into the Operating Expense Fund pursuant to the Loan Agreement and the Indenture, and (ii) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or the Indenture that such moneys are to be paid into the Operating Expense Fund. Moneys in the Operating Expense Fund shall be used for the payment of ordinary and necessary Operating Expenses of Patriot Charter School (other than payments to the Manager under the Management Agreement and payments to the Property Manager under the Property Management Agreement). The Trustee is authorized and directed to issue its checks on the Operating Expense Fund as directed by Patriot Charter School.
DEBT SERVICE REQUIREMENTS

The following debt service requirements on the Bonds are based on the interest rates indicated on the cover page hereof.

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Series 2006 A</th>
<th>Series 2006 B</th>
<th>Grand Total</th>
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<td></td>
<td>Principal*</td>
<td>Interest</td>
<td>Total</td>
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<td>$342,491.11</td>
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<tr>
<td>TOTAL</td>
<td>$20,175,000.00</td>
<td>$31,302,159.86</td>
<td>$51,447,159.86</td>
</tr>
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</table>
TAX EXEMPTION

In the opinion of Bond Counsel, assuming compliance with certain covenants of the City and Patriot Charter School designed to assure compliance with requirements of the Internal Revenue Code of 1986, as amended ("the Code"), interest on the Series 2006A Bonds is excludable from gross income for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Series 2006A Bonds will not be an item of tax preference under the Code for purposes of determining the alternative minimum tax imposed on individuals and corporations; however, interest on a Series 2006A Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a Series 2006A Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

Bond Counsel is further of the opinion that the Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein.

Ownership of the Series 2006A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with “excess net passive income,” individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2006A Bonds. Bond Counsel expresses no opinion as to any such collateral tax consequences. Purchasers of Series 2006A Bonds should consult their own tax advisors as to such collateral tax consequences.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2006A Bonds for interest thereupon to remain excludable from the gross income of the owners of the Series 2006A Bonds for federal income tax purposes. Patriot Charter School will covenant to comply with such requirements in the Loan Agreement and the tax certificate, and the City will covenant in the Loan Agreement and the tax certificate to comply with such requirements, to the extent of its control over investment or use of proceeds of the Series 2006A Bonds and of its own actions. Noncompliance with such requirements may cause interest on the Series 2006A Bonds to be required to be included in the gross income of the owners of the Series 2006A Bonds for federal income tax purposes, retroactive to the date of issuance of the Series 2006A Bonds or as of some later date.

In the opinion of Bond Counsel, interest on the Series 2006B Bonds will be treated as interest for federal income tax purposes. INTEREST EARNED ON THE SERIES 2006B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of Greenberg Traurig, P.A., as bond counsel. A signed copy of bond counsel's opinion dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered at the time of such original delivery. In rendering its approving legal opinion, bond counsel will rely upon certifications and representations of facts to be contained in the transcript of proceedings which bond counsel will not have independently verified.

Certain legal matters will be passed upon for the Patriot Charter School by its counsel, Greenberg Traurig, P.A., for the City by Nicholas Tsamoutales, Esq., and for the Underwriter by Hahn, Smith, Walsh & Mancuso, P.C.

LITIGATION

There is no action threatened or pending questioning the validity of the Indenture, the Lease, the Ground Lease, the Loan Agreement, the Charter, the Management Agreement or the Bonds, or the power and authority of the City to execute and deliver the Indenture, the Lease, the Ground Lease, the Loan Agreement, the Charter, the Management Agreement or the Bonds, or the power and authority of Patriot Charter School to execute and deliver the Lease, the Ground Lease, the Loan Agreement, the Management Agreement or the Loan Agreement.
NO RATINGS

No rating has been assigned to the Bonds, and none shall be requested by the City or Patriot Charter School. Under the Loan Agreement, Patriot Charter School has agreed that, at any time following occupancy of the Project at not less than 90% capacity, and upon the request of Notice Beneficial Owners of not less than 50% in principal amount of the Bonds, Patriot Charter School shall, in consultation with the Bondholders and the Underwriter and at the expense of Patriot Charter School, apply to a Rating Agency for a rating on the Bonds; provided that, Patriot Charter School shall not be obligated to make such application more often than annually.

UNDERWRITING

Gates Capital Corporation (the “Underwriter”) has, pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”), agreed with the City to provide, on a best efforts basis, for the sale all of the Bonds for a fee of 2.5% of the principal amount thereof. The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions precedent. Patriot Charter School has agreed to indemnify the Underwriter against certain liabilities in connection with the offer and sale of the Bonds, including liabilities under the Securities Act, and to contribute to payments that the Underwriter may be required to make in respect thereof.

CONTINUING DISCLOSURE

Patriot Charter School has agreed in a Continuing Disclosure Undertaking executed for the benefit of Bondholders, to provide certain financial information and operating data relating to Patriot Charter School (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if deemed by Patriot Charter School to be material. The Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) recognized by the United States Securities and Exchange Commission (the “SEC”), and with the state information depository, if any (the “SID,” and collectively with the NRMSIRs, the “Depositories”). These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c-12(b)(5).

The Annual Report shall contain or incorporate by reference Patriot Charter School’s audited financial statements.

Any information may be incorporated by reference from other documents. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board.

Patriot Charter School has also agreed to give notice to each NRMSIR of the occurrence of any of the following events:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Certificate calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes.

**MISCELLANEOUS**

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by Patriot Charter School, Charter Schools USA, the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting Patriot Charter School, Charter Schools USA, the City or the Bonds. Additional information may be obtained from Charter Schools USA. The statements relating to the Indenture, the Lease, the Ground Lease, the Loan Agreement, the Charter, the Management Agreement or the Bonds are in summarized form and are qualified by reference to the complete documents. This Limited Offering Memorandum is not to be construed as a contract or agreement between Patriot Charter School and purchasers of the Bonds.
Appendix A
DEFINITIONS

All terms not otherwise defined in the Limited Offering Memorandum shall have the respective meanings set forth below except where the context indicates otherwise:

“Additional Rent” means the payments payable by the City pursuant to the Lease during the Original Term and any Renewal Term, in excess of Base Rentals and Capital Contributions.

“Additional Revenue” means revenues derived from the operation of the Project, other than Charter Revenues.

“Assignment” means the Assignment of Mortgage and Loan Agreement, dated as of March 1, 2006, from the City to the Trustee.

“Audited Financial Statements” means, as to Patriot Charter School, financial statements for a Fiscal Year, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants.

“Average Daily Expenses” means (A) the aggregate of the actual Operating Expenses incurred during the relevant time period including without limitation all Long-Term Debt Service Requirements during such period (but excluding (i) depreciation, (ii) an amount equal to 50% of the scheduled fees for such period under the Management Agreement and the Property Management Agreement, and (iii) principal and interest due and payable on Subordinate Debt during such period), divided by (B) 360.

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness 20 percent or more of the principal payments of which are due in any 12-month period, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

“Base Rentals” means the payments payable by the City pursuant to Section 6.2 of the Lease during the Original Term and any Renewal Term, which constitute the payments payable by the City for and in consideration of the right to use the Leased Property during such Original Term or any Renewal Term.

“Base Rental Payment Dates” means the first day of each calendar month.

“Beneficial Owner” means, with respect to any Bonds in Book Entry Form, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee. Such evidence may include a letter or letters from the Direct Participants and Indirect Participants, as applicable, attesting to the Beneficial Ownership Interest of such Beneficial Owner.

“Beneficial Ownership Interest” means the beneficial right to receive payments and notices with respect to the Bonds which are held by a Depository under a book entry system.

“Board” means the Board of Directors of Patriot Charter School.

“Bond Interest Fund” means the Bond Interest Fund created in the Indenture.

“Bond Principal Fund” means the Bond Principal Fund created in the Indenture.

“Bondholder” or “holder” or “owner” of Bonds means the registered owner of any Bond.

“Book Entry Form” or “book entry system” means, with respect to any Bonds, a form or system, as applicable, under which (i) the Beneficial Ownership Interests may be transferred only through a book entry and (ii) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as
Holder, with the physical Bond certificates “immobilized” in the custody of the Depository. The book entry system maintained by and the responsibility of the Depository (and not maintained by or the responsibility of the City or the Trustee) is the record that identifies, and records the transfer of the interests of, the owners of book entry interests in such Bonds.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or any city in which the designated corporate trust office of the Trustee is located.

“Capital Contributions” means payments to be made by the City for certain capital improvements in connection with the Facilities, as provided in the Lease.

“Charter” means the Charter School Contract for the operation of a charter school at the Leased Property, between the City and the School Board of Brevard County, Florida.

“Charter Revenues” means the amounts payable to the City under the Charter.

“City Representative” means any person or persons at the time designated to act on behalf of the City for purposes of performing any act on behalf of the City under the Lease by a written certificate furnished to Patriot Charter School containing the specimen signature of such person or persons and signed on behalf of the City by Mayor.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations issued from time to time thereunder.

“Commitment Indebtedness” means the obligation of Patriot Charter School to repay amounts disbursed pursuant to a commitment from a financial institution to refinance when due other Indebtedness (including accrued and unpaid interest thereon) of Patriot Charter School or to purchase when tendered for purchase by the holder thereof in accordance with the terms thereof other Indebtedness (including accrued and unpaid interest thereon) of Patriot Charter School, which other Indebtedness was incurred in accordance with the provisions of the Loan Agreement, plus any fees payable to such financial institution for such commitment and any other expenses (including collection) thereunder, including, without limitation, amounts disbursed and fees and expenses payable in connection with any Credit Project.

“Completion Date” means the date of the completion of the acquisition, construction, improvement and equipping of the Project described in Exhibit B to the Loan Agreement, as evidenced by satisfaction of all conditions set forth in Section 4.7 of the Loan Agreement.

“Completion Indebtedness” means any Long-Term Indebtedness incurred by Patriot Charter School for the purpose of financing the completion of the acquisition, construction or equipping of the Facilities for which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Loan Agreement, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Indebtedness theretofore incurred was originally incurred.

“Construction Representative” means CAPRI Engineering Services, or its successor, appointed to review and authorize disbursements from the Project Fund and to certify the Completion Date.

“Consultant” means a firm or firms designated in a certificate of Patriot Charter School Representative which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of Patriot Charter School, the Developer, the Manager, or any affiliate of the foregoing and which is a professional management consultant of national repute for having the skill and experience necessary to render the particular report required by the provision of the Loan Agreement in which such requirement appears.
“Cost of the Project” means the sum total of all reasonable or necessary costs incidental to the financing of the Project described in the Loan Agreement.

“Debt Service Reserve Fund” means the Debt Service Reserve Fund created pursuant to the Indenture.

“Debt Service Reserve Fund Credit Enhancement” means any letter of credit credited to the Debt Service Reserve Fund or any account therein as provided in the Loan Agreement in lieu of cash or Permitted Investments on deposit in the Debt Service Reserve Fund.

“Debt Service Reserve Fund Requirement” means $1,708,555.

“ Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in bonds, and to effect transfers of book entry interests in bonds in book entry form.

“Direct Participant” means Depository Trust Company’s Participants.


“Equipment” means all furniture, machinery, fixtures and equipment now owned or hereafter acquired by the Company, and the products and proceeds of the same, including without limitation all items of personal property and fixtures used or usable in connection with the Facilities, and any item of furniture, machinery, fixtures, equipment or other personal property or fixtures acquired in substitution or replacement thereof, less such machinery, equipment or other personal property or fixtures as may be released from the pledge of the Loan Agreement as provided in the Loan Agreement.

“Escrowed Interest” means amounts (but not including any interest earnings thereon, except as otherwise provided in the Loan Agreement) deposited in escrow in connection with the issuance of Long-Term Indebtedness and either held as cash or invested in noncallable Government Obligations to pay interest on such Long-Term Indebtedness (but shall not include capitalized or borrowed interest).

“Event of Default” or “event of default” means those defaults specified in the Indenture, the Lease or the Loan Agreement, as appropriate.

“Facilities” means collectively, the school facilities of Patriot Charter School financed with proceeds of the Bonds, located in the City of Palm Bay, Florida, as more particularly described in the Loan Agreement.

“Fiscal Year” means the fiscal year of Patriot Charter School which shall at all times be set so as to coincide with the academic year of the Facilities.

“Force Majeure” means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of restraint of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of Patriot Charter School or the City.
“Funds” means the Revenue Fund, the Project Fund, the Bond Principal Fund, the Bond Interest Fund, the Cost of Issuance Fund, the Debt Service Reserve Fund, the Operating Expense Fund, the Repair and Replacement Fund and the Rebate Fund, and any account created therein, all as established and created by this Indenture.

“Governing Body” means the Board of Directors of the sole member of Patriot Charter School.

“Government Obligations” means:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America;

   (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

   (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America;

   (d) evidences of ownership or proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, provided, however, that Government Obligations described in this subsection (d) may only be used in connection with a defeasance of the Bonds under the Indenture; or

   (e) securities of or other interests in any open-end or closed-end management type investment company or investment trust registered under the federal “Investment Company Act of 1940,” 15 U.S.C. Section 80(a)-1 et seq., if the portfolio of such investment company or investment trust is limited to United States of America obligations which are backed by the full faith and credit of the United States of America and to repurchase agreements fully collateralized by such obligations and if any such investment company or investment trust actually takes delivery of such collateral, either directly or through an authorized custodian.

2. Pre-refunded municipal obligations rated “AAA” by Standard & Poor’s Rating Services and “AAA” by Moody’s Investors Service meeting the following requirements:

   (a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the bond trustee therefor has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

   (b) the municipal obligations are secured by cash or obligations described in paragraphs (1)(a), (b), (c), (d) or (e) above, which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

   (c) the principal of and interest on the obligations described in paragraphs (1)(a), (b), (c), (d) or (e) above (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest and premium, if any, due and to become due due to the municipal obligations (“Verification”);

   (d) the cash or obligations described in paragraph (1) above serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
(e) no substitution of an obligation described in paragraph (1) above shall be permitted except with another obligation described in paragraph (1) above and upon delivery of a new Verification; and

(f) the cash or obligations described in paragraph (1) above are not available to satisfy any other claims, including those by or against the bond trustee or escrow agent.

“Guaranty” means any obligation of Patriot Charter School guaranteeing in any manner, directly or indirectly, any obligation of any Person, which obligation of such other Person would, if such obligation were the obligation of Patriot Charter School, constitute Indebtedness under the Loan Agreement. For the purposes of the Loan Agreement, so long as no payments are required to be made under such Guaranty and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, the aggregate principal amount of any indebtedness in respect of which Patriot Charter School shall have executed and delivered its Guaranty shall be deemed to be equal to 20 percent of the principal amount borrowed under such guaranteed indebtedness outstanding at the time any computation is being made, and the aggregate annual principal and interest payments on any indebtedness in respect of which Patriot Charter School shall have executed and delivered its Guaranty shall be deemed to be equal to 20 percent of the amount which would be payable as principal of and the interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made, provided that if there shall have occurred a default under the guaranteed obligation of any direct or indirect payment by Patriot Charter School on such Guaranty, then, during the period commencing on the date of such default of payment and ending as the case may be on the day on which such default is cured or on the day which is two years after such other Person resumes making all payments on such guaranteed obligation, 100 percent of such guaranteed indebtedness shall be taken into account.

“Hazardous Material” means: (i) any substances defined as “hazardous substances,” “pollutants,” “contaminants,” “hazardous materials,” “hazardous wastes,” or “hazardous or toxic substances” or related materials as now or hereafter defined in any Environmental Law, (ii) those substances listed or otherwise identified as substances of the type referred to in the preceding subsection (i) in the regulations adopted and issued pursuant to any Environmental Law, as the same may be amended, modified or supplemented; (iii) any friable asbestos, airborne asbestos in excess of that generally found in the atmosphere, respectively, where the Facilities are located, or any substance or material containing asbestos, excluding any such materials located on the educational facilities of Patriot Charter School prior to the date of the Loan Agreement so long as such materials are contained, maintained, abated, or removed in compliance with all applicable Environmental Laws; and (iv) any substance the presence of which on the Facilities is prohibited by any applicable Environmental Law; provided that Hazardous Material shall not include any such substances used in or resulting from the ordinary operation of a the Facilities or for the cleaning of the Facilities; provided that such substances are stored, handled and disposed of in compliance with all applicable Environmental Laws and other applicable laws and regulations.

“Improvements” means the Facilities, buildings, fixtures and other improvements located on the Site and pledged pursuant to the Loan Agreement t.

“Income Available for Debt Service” means, as to any Fiscal Year or other specified period, (i) excess of revenues over expenses of Patriot Charter School before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined from the Audited Financial Statements or as otherwise herein provided, provided that unrealized gains and losses on investments will not be recognized in the calculation of Income Available for Debt Service, plus (ii) capitalized or funded interest available for and scheduled to be applied to interest obligations accrued during such period; provided, however, that (1) no determination thereof shall take into account any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest, and (3) 50% of the subordinated obligations due to the Manager under the Management Agreement shall be excluded from the calculation of expense.

“Indebtedness” means (i) all obligations of Patriot Charter School for borrowed money including, but not limited to, the Loan, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by Patriot Charter School as purchaser, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-
Term Indebtedness. Indebtedness shall not include any other obligation incurred by Patriot Charter School in the ordinary course of business, any obligation to contribute to self-insurance, pension or other risk management programs, indemnification obligations incurred with respect to Commitment Indebtedness, or any fees or expenses payable in connection with the incurrence of Indebtedness. For purposes of any calculations provided for in the Indenture or in the Loan Agreement, unless otherwise indicated, 50% of the payments due by Patriot Charter School under the Development Agreement, and any Subordinated Debt, shall be excluded from the definition of “Indebtedness.”

“Indenture” means the Indenture of Trust between the City and the Trustee, including any indentures supplemental thereto made in conformity therewith, pursuant to which the Bonds are authorized to be issued and secured.

“Indirect Participant” means a Person utilizing the book entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

“Insurance Consultant” means a firm or Person selected by Patriot Charter School Representative and approved by a majority of the Bondholders or Beneficial Owners holding a majority of the Outstanding Bonds which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of the Patriot Charter School, the Developer, the Manager, or any affiliate of the foregoing and which is qualified to survey risks and to recommend insurance coverage for school facilities and services and organizations engaged in such operations and which may provide insurance coverage for Patriot Charter School.

“Interest Payment Dates” means January 1 and July 1 of each year, commencing July 1, 2006.

“Lease” means the Lease Agreement, by and between the City and Patriot Charter School, and any amendments or supplements thereto, including the Exhibits attached thereto.

“Lease Term” means the Original Term and any Renewal Terms.

“Leased Property” means all property conveyed under the Lease, including, without limitation, (i) the Project Site, (ii) the Equipment, (iii) the Improvements and any other improvements located on the Project Site, and (iv) any additions or alterations thereto which are permitted under the Lease.

“Letter of Representations” means any Letter of Representations from the City and the Trustee to the Depository which may be delivered in connection with the issuance of the Bonds in a book entry system, as supplemented and amended from time to time.

“Lien” means any mortgage, deed of trust, pledge, security interest, assignment as collateral, or other encumbrance on any assets of Patriot Charter School, or the sale or assignment of accounts receivable of Patriot Charter School.

“Loan” means the loan by the City to Patriot Charter School of the proceeds from the sale of the Bonds (exclusive of accrued interest paid by the initial purchasers of any Bonds) pursuant to the Loan Agreement.

“Loan Agreement” means the Mortgage and Loan Agreement between the City and Patriot Charter School, dated as of March 1, 2006, and any amendments and supplements thereto made in conformity with the requirements thereof and of the Indenture.

“Loan Documents” means the Loan Agreement, the Indenture of Trust, and related agreements executed by Patriot Charter School with respect to providing funds for the acquisition, construction and completion of the Leased Property.

“Loan Payments” means those payments required to be paid by Patriot Charter School pursuant to the Loan Agreement.
“Long-Term Debt Service Coverage Ratio” means, except as otherwise provided in the Loan Agreement, for any Fiscal Year or other specified period, the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service. When calculating the Long-Term Debt Service Coverage Ratio, capitalized interest shall not be counted as income unless it will be available and applied in the same year as the Maximum Annual Debt Service will occur.

“Long-Term Debt Service Requirement” means, for any Fiscal Year or other specified period, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of Patriot Charter School during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness, (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of 20 years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within 12 months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation, or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with a bank having a combined capital and surplus of at least $50,000,000, or insured by an insurance policy issued by any insurance company rated at least “A” by Alfred M. Best Company or its successors in Best’s Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of Patriot Charter School Representative, be treated as if such principal or interest payments or deposits were due as specified in any loan agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or such shorter period, but not less than six months, if such information is not available for a 12-month period), except that with respect to new Variable Rate Indebtedness, and Variable Rate Indebtedness issued within the last six months, the interest rate for such Indebtedness for the initial interest rate period shall be such interest rate as determined in writing delivered to the Trustee by a banking, investment banking or financial advisory firm, which shall be knowledgeable in matters relating to finance for school facilities; and

(iii) with respect to any Commitment Indebtedness providing for payment of other Long-Term Indebtedness, to the extent that amounts are not then due and owing for advances made by the creditor with respect thereto, the principal and interest relating to such Commitment Indebtedness shall not be included in any computations with respect to Income Available for Debt Service or the Long-Term Debt Service Requirement;

provided, however, that interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent that Escrowed Interest is available to pay such interest (but the amount excluded shall not take into account interest earnings on such Escrowed Interest unless there shall have been delivered to the Trustee a report of an independent firm of nationally recognized certified public accountants verifying that such amount of interest can be timely paid from such escrow).

“Long-Term Indebtedness” means all Indebtedness having a maturity longer than one year incurred or assumed by Patriot Charter School, including, without limitation:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year, including, without limitation, the Loan;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;
(iii) installment sale or conditional sale contracts incurred or assumed by Patriot Charter School as purchaser having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(v) the current portion of Long-Term Indebtedness.

“Management Agreement” means the Management Agreement, dated as of March 1, 2006, by and between the Manager and the City, as the same may be amended from time to time.

“Management Payments” means all payments due to the Manager from the City pursuant to the Management Agreement.

"Manager" means Charter Schools USA at Palm Bay, LLC, a Florida limited liability company, and its successors and assigns.

“Maximum Annual Debt Service” means the highest Long-Term Debt Service Requirement for any current or succeeding Fiscal Year or other specified period.

“Net Proceeds” means the gross proceeds of any insurance or condemnation awards or the gross proceeds received pursuant to any title insurance policy with respect to any property pledged to the payment of the Loan pursuant to the Loan Agreement, less such fees and expenses incurred in collecting the same.

“Nonrecourse Indebtedness” means any Indebtedness incurred to finance the purchase by Patriot Charter School of tangible property secured solely by a Lien on such property, the liability for which is limited to the property subject to such Lien with no recourse, directly or indirectly, to any other assets of Patriot Charter School.

“Notice Beneficial Owners” means those Beneficial Owners who have given their addresses and facsimile numbers to Patriot Charter School.

“Operating Expense Fund” means the Operating Expense Fund created pursuant to Section 3.2 of the Indenture.

“Officer’s Bond” means a certificate signed by Patriot Charter School Representative. Each Officer’s Bond presented pursuant to the Loan Agreement shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, the Loan Agreement.

“Operating Expenses” shall mean all expenses reasonably required in the operation and maintenance of the Improvements consistent with generally accepted accounting principles, and including, the following items, without intending to limit the generality of the foregoing:

(a) expenses for operation (including all utilities and fees payable under management and/or operating agreements), maintenance, repair, alterations, insurance and inspection;

(b) cost and expenses for reasonable and necessary professional, managerial, supervisory, administrative, engineering, architectural, legal, financial, auditing and consulting services, including the reasonable annual compensation and expenses of the officers and directors of Patriot Charter School allocable to the Improvements and including the fees of and other amounts payable to the Trustee and the City;
(c) all taxes or contributions or payments in lieu thereof, assessments and charges, including, without intending to limit the generality of the foregoing, income, profits, sales, use, property, franchise, and excise taxes;

(d) obligations under contracts for supplies, services and pensions and other employee benefits;

(e) purchases of merchandise and other inventory items; and

(f) rentals payable under leases not intended by Patriot Charter School to evidence the acquisition of capital assets, as determined in accordance with generally accepted accounting principles; provided, however, that rentals payable under leases which, under generally accepted accounting principles would be treated as evidencing the acquisition of a capital asset shall be includable within Operating Expenses, if so designated by Patriot Charter School, provided, however, the term “Operating Expenses” shall not be construed to include (i) depreciation, (ii) amortization, and (iii) the annual Long-Term Debt Service Requirement.

“Opinion of Bond Counsel” means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Trustee and nationally recognized as experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

“Opinion of Counsel” means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Trustee, who may be counsel for Patriot Charter School or other counsel acceptable to the Trustee.

“Original Term” means the portion of the Lease Term which terminates on June 30, 2021.

“Outstanding” means, as of any particular time, all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds (or securities to the extent described in the Indenture) shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(c) Bonds in lieu of which other Bonds have been authenticated under the Indenture.

Bonds which do not pay interest currently in accordance with their terms shall be deemed to be outstanding in an amount equal to their accreted value at the applicable time.

“Parity Indebtedness” means Indebtedness of Patriot Charter School secured on a parity basis with the Bonds, incurred as provided in the Loan Agreement.

“Patriot Charter School Representative” or “Corporation Representative” means the president of the sole member of Patriot Charter School or any other person designated as such by an instrument in writing delivered to the City and the Trustee by the president of the sole member of Patriot Charter School.

“Permitted Encumbrances” means, as of any particular time, (i) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to the provisions of the Lease; (ii) the Lease, the Ground Lease and the Loan Agreement; (iii) utility, access and other easements and rights of way, restrictions and exceptions which do not, in the opinion of the City Representative, interfere with or impair the Leased Property; (iv) any financing statements filed to perfect security interests in the Equipment and other liens and security interests
pursuant to the Lease or the Loan Documents; and (v) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, in the opinion of Patriot Charter School Representative, materially impair title to the Leased Property.

“Permitted Investments” means any of the following which at the time are legal investments under the laws of the State of Florida for moneys held under the Indenture and then proposed to be invested therein:

(a) Government Obligations;

(b) negotiable certificates of deposit issued by, or banker’s acceptances drawn on and accepted by, any bank, including the Trustee, the certificate of deposit or debt obligations of which (or if such bank, is the principal bank in a bank holding company, debt obligations of the bank holding company) are rated, at the time such certificates or acceptances are issued, in one of the two highest Rating Categories;

(c) repurchase agreements with any U.S. commercial bank or other financial institution, or with any United States Government securities dealer, provided that such repurchase agreements are fully secured by Government Obligations, and provided further that (i) such collateral is held by the Trustee or any agent acting solely for the Trustee during the term of such repurchase agreement, (ii) such collateral is not subject to liens or claims of third parties and the Trustee has a perfected first security interest in the collateral, (iii) such collateral has a market value (determined at least once every 14 days) at least equal to 102% of the amount invested in the repurchase agreement, and (iv) the failure to maintain such collateral at the level required in (iii) above will require the Trustee to liquidate the collateral;

(d) certificates of deposit issued by any bank, savings institution or trust company, including the Trustee, and time deposits in any bank, savings institution or trust company, including the Trustee, as to which principal is fully insured by a federally sponsored deposit insurance program;

(e) guaranteed investment contracts issued by a provider rated “AA” or better or “Aa” or better by Standard & Poor’s Rating Services or Moody’s Investor’s Services, Inc., respectively; and

(f) money market funds which are rated in the highest Rating Category and are fully collateralized by Government Obligations.

“Permitted Liens” shall have the meaning assigned to it in the Loan Agreement.

“Person” means an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

“Pledged Property” means all property pledged, granted, or conveyed to secure amounts due under the Loan Agreement or the Bonds, including, without limitation, the Improvements, the leasehold interest in the Site, the Equipment and the Pledged Revenues.

“Pledged Revenues” means the rights to receive all the receipts, revenues, cash and income of Patriot Charter School from whatever source derived, whether in the form of accounts receivable, contract rights, chattel paper, general intangibles, profits and income, or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence. Pledged Revenues includes (but is not limited to) (i) Base Rentals, (ii) Capital Contributions, and (iii) Additional Rent.

“Project” means collectively, the acquisition, construction and equipping of the Facilities.

“Project Fund” means the Project Fund created pursuant to the Indenture.

“Property” means collectively the Improvements and the Project Site.
“Property, Plant and Equipment” means real and personal, tangible and intangible property owned by Patriot Charter School which is property, plant and equipment under generally accepted accounting principles.

“Rating Agency” means Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, Inc., and their respective successors and assigns.

“Rating Category” or “Categories” means the rating category or categories respectively of each Rating Agency.

“Rebate Analyst” means an attorney or firm of attorneys or accountant or firm of accountants or other Person hired by Patriot Charter School to assist Patriot Charter School in compliance with the arbitrage rebate requirements of the Loan Agreement.

“Rebate Fund” means the Rebate Fund created in the Indenture.

“Registered Owner” or “registered owner” means the registered owner of any Bonds, as shown on the registration books of the Trustee.

“Regular Record Date” means the fifteenth day of the calendar month prior to a regularly scheduled Interest Payment Date for the Bonds.

“Renewal Term” means any optional Renewal Term of the Lease Term as provided in the Lease.

“Repair and Replacement Reserve Fund” means the Repair and Replacement Reserve created pursuant to the Indenture.

“Repair and Replacement Reserve Fund Requirement” means $500,000.

“Revenue Fund” means the Revenue Fund created pursuant to the Indenture.

“Short-Term Indebtedness” means Indebtedness with a term of less than one year or payable on demand.

“Significant Bondholder” shall mean any three (3) or fewer Beneficial Owners of Bonds holding, in the aggregate, greater than 50% of the Outstanding Bonds, provided, however, that Beneficial Owners under common management shall be considered a single Beneficial Owner for such purpose. If no such three (3) or fewer Beneficial Owners own greater than 50% of the Outstanding Bonds, then the provisions relating to the Significant Bondholder shall not apply.

“Site” means the real property described as the Site in the Loan Agreement, less any such real property released under the provisions of the Loan Agreement.

“Special Record Date” means a special record date fixed to determine the names and addresses of registered owners for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the Indenture.

“Subordinated Debt” means any Indebtedness the payment of which is specifically subordinated to the payment of principal and interest on the Bonds and any Lien securing which is specifically subordinated to the Lien granted in the Loan Agreement, and evidenced by a writing which contains provisions substantially as provided in the Loan Agreement and for which Patriot Charter School has received an Opinion of Counsel to the effect that such Indebtedness constitutes Subordinated Debt.

“Tax Certificate” means the certificates of the City or Patriot Charter School relating to the tax-exempt status of the Bonds and including any amendments or supplements thereto.
“Transfer” means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt, but shall not include leases and operating contracts governed by the Loan Agreement.

“Trust Estate” means the property pledged, assigned and mortgaged to the Trustee pursuant to the granting clauses of the Indenture.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.
Appendix B

FLORIDA CHARTER SCHOOLS

General Background

Charter Schools are a recent innovation in public education. They are public schools holding state or local agency contracts to meet specified student achievement goals. In return, the charter school is allocated public educational funds for a stated period of time. Charter schools are public schools that operate under a performance contract, or a “charter,” which exempts them from most rules and regulations created for traditional public schools. Today, there are approximately 330 charter schools in Florida, educating approximately 100,000 students. Nationally, charter schools have been created in 40 states and the District of Columbia, serving nearly 1,000,000 primary and secondary school students.

In Florida, an individual, a group of parents or teachers, a business, or a municipality may apply for a charter. As part of the contract, charter schools are held strictly accountable for academic and financial results. Applications for designation as a charter school in Florida are submitted to the local school district. A district school board considers charter school applications received on or before September 1 of each calendar year for charter schools to be opened at the beginning of the school district’s next school year, or to be opened at a time agreed to by the applicant and the district school board. A district school board may receive applications later than that date if it chooses.

A district school board shall by a majority vote approve or deny an application no later than 60 calendar days after the application is received, unless the district school board and the applicant mutually agree to temporarily postpone the vote to a specific date, at which time the district school board shall by a majority vote approve or deny the application. If the district school board fails to act on the application, an applicant may appeal to the State Board of Education. If an application is denied, the district school board shall, within 10 calendar days, articulate in writing the specific reasons based upon good cause supporting its denial of the charter application.

An applicant may appeal any denial of that applicant’s application or failure to act on an application to the State Board of Education no later than 30 calendar days after receipt of the district school board’s decision or failure to act and shall notify the district school board of its appeal. Any response of the district school board shall be submitted to the State Board of Education within 30 calendar days after notification of the appeal. Upon receipt of notification from the State Board of Education that a charter school applicant is filing an appeal, the Commissioner of Education shall convene a meeting of the Charter School Appeal Commission to study and make recommendations to the State Board of Education regarding its pending decision about the appeal. The State Board of Education shall by majority vote accept or reject the decision of the district school board no later than 90 calendar days after an appeal is filed in accordance with rules of the State Board of Education.

Upon approval of a charter application, the initial startup commences with the beginning of the public school calendar for the district in which the charter is granted unless the district school board allows a waiver of this provision. The terms and conditions for the operation of a charter school shall be set forth by the sponsoring school district and the applicant in a written contractual agreement, the charter. The sponsor is prohibited by statute from imposing unreasonable rules or regulations that violate the intent of giving charter schools greater flexibility to meet educational goals. The applicant and sponsor shall have six months in which to mutually agree to the provisions of the charter.

To facilitate access to long-term financial resources for charter school construction, charter schools that are operated by a private, not-for-profit, corporation exempt from taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, are eligible for up to a 10-year charter, subject to approval by the district school board. In order to facilitate access to long-term financial resources for charter school construction, charter schools that are operated by a municipality or other public entity as provided by law are eligible for up to a 15-year charter, subject to approval by the district school board. Such long-term charters remain subject to annual review and may be terminated during the term of the charter, but only for specific good cause, including:
1. Failure to participate in the state’s education accountability system, or failure to meet the requirements for student performance stated in the charter.

2. Failure to meet generally accepted standards of fiscal management.

3. Violation of law.

4. Other good cause shown.

A charter may be renewed every five school years, provided that a program review demonstrates that the criteria for approval of the charter have been successfully accomplished and that none of the grounds for nonrenewal described above has been documented.

In order to facilitate long-term financing for charter school construction, charter schools operating for a minimum of two years and demonstrating exemplary academic programming and fiscal management are eligible for a 15-year charter renewal. Such long-term charter is subject to annual review and may be terminated during the term of the charter.

A charter may be modified during its initial term or any renewal term upon the recommendation of the sponsor or the charter school governing board and the approval of both parties to the agreement.

In the event a school’s charter is terminated or not renewed, the school’s governing body may appeal such a decision, and a hearing on the action will be conducted by the sponsoring school district. Any decision to terminate or not renew a charter may be appealed to the State Board of Education.

Base Rental payments and Additional Rent due under the Lease are payable from the charter school revenues, including, but not limited to, (i) state and local funds apportioned to Patriot Charter School from the Brevard County School Board, in accordance with a statutory formula based on the number of weighted full-time equivalent students attending the school, (ii) state revenues allocated to Patriot Charter School appropriated by the State of Florida for charter school capital outlay funding purposes (“Capital Outlay Revenues”) (iii) fee income derived from the operation of any pre-school, child care or similar facilities, (the “Fee Income”) and (iv) any payments made to Patriot Charter School by third party users of the Project. The governmental revenues received by any charter school are broken down into two primary components, Operating Revenues and Capital Outlay Revenues, each of which is described below.

**Operating Revenues**

Funding for charter schools is accomplished on a “full time equivalent” student basis. Each charter school is required to report its student enrollment to the school district, and those students are included within the district school board’s report on student enrollment. The total operating funds received by the district then are determined, to include funds received from the Florida Education Finance Program and the Florida General Appropriations Act, including gross state and local funds, discretionary lottery funds and funds from the school district’s current operating discretionary millage levy. That number is divided by the total number of full time equivalent students in the district. That amount, when multiplied by the total number of full time equivalent students in a charter school, will provide the full time equivalent entitlement for the charter school.

In addition, if the district school board is providing programs or services to students funded by federal funds, any eligible students enrolled in charter schools in the school district shall be provided federal funds for the same level of service provided students in the schools operated by the district school board.

District school boards are required by law to make every effort to ensure that charter schools receive timely and efficient reimbursement, including processing paperwork required to access special state and federal funding for which they may be eligible. The district school board may distribute funds to a charter school for up to three months
based on the projected full-time equivalent student membership of the charter school. Thereafter, the results of full-time equivalent student membership surveys are used in adjusting the amount of funds distributed monthly to the charter school for the remainder of the fiscal year. The payments are required to be issued to the charter school no later than ten working days after the district school board receives a distribution of state or federal funds. If a warrant for payment is not issued within 30 working days after receipt of funding by the district school board, the school district must pay to the charter school, in addition to the amount of the scheduled disbursement, interest at a rate of one percent per month calculated on a daily basis on the unpaid balance from the expiration of the 30-day period until such time as the warrant is issued.

A sponsoring school district is required to provide certain administrative and educational services to charter schools. These services include contract management services; full-time equivalent and data reporting services; exceptional student education administration services; test administration services, including payment of the costs of state-required or district-required student assessments; processing of teacher certificate data services; and information services, including equal access to student information systems that are used by public schools in the district in which the charter school is located. A total administrative fee for the provision of such services shall be calculated based upon five percent of the available funds described above for all students. However, a sponsor may only withhold a 5-percent administrative fee for enrollment for up to and including 500 students. For charter schools with a population of 501 or more students, the difference between the total administrative fee calculation and the amount of the administrative fee withheld may only be used by the school district for capital outlay purposes. Sponsors may not charge charter schools any additional fees or surcharges for administrative and educational services in addition to the five-percent administrative fee described in this paragraph.

**Capital Outlay Revenues**

If a charter school serves students in facilities not provided by the charter school’s sponsor, the charter school may be eligible to receive funds appropriated for charter school capital outlay purposes. To be eligible for such funding, a charter school must (i) have been in operation for at least three years, (ii) be an expanded feeder chain of a charter school within the same district that is currently receiving capital outlay funds or (iii) have been accredited by the Southern Association of Colleges and Schools. The Project is not eligible for capital outlay funds at this time.

**Brevard County School District**

Brevard County School District and its governing board were created pursuant to Section 4, Article IX of the Constitution of the State of Florida. The District is an independent taxing and reporting entity managed, controlled, operated, administered, and supervised by the District school officials. The Board consists of five elected officials responsible for the adoption of policies, which govern the operation of the District’s public schools. The Superintendent of Schools for the District is specifically delegated the responsibility of maintaining a uniform system of records and accounts in the District, as prescribed by the State Board of Education.

The geographical boundaries of the District are those of Brevard County. As of January 1, 2006, the District operated 92 schools (which included 19 charter schools), and reported approximately 73,379 unweighted students and 8,843 full-time employees, including 5,116 instructional personnel. Management of the schools is independent of metropolitan and city governments. Brevard County collects taxes for the District, but exercises no control over their expenditures.

The following shows the location of schools in the City of Palm Bay, including the location of Patriot Charter School.
The School Board

The Board is a public corporation existing under the laws of the State of Florida, particularly Section 1001.40, Florida Statutes. The Board is the policy-making body of the District, consisting of 5 members elected for overlapping 4-year terms. Under existing statutes the Board’s duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property within the District; the development and adoption of a school program for the District; the establishment, organization and operation of schools, including vocational and evening schools, programs for gifted students and for students in residential care facilities; the appointment, compensation, promotion, suspension and dismissal of employees; the establishment of courses of study and the provision for adequate instructional aids; and the establishment of a system to transport students to school or school-related activities. The Board also has broad financial responsibilities, including the approval of the annual budget, adoption of the school tax levy and the establishment of a system of accounting and budgetary controls. The annual budget and accounting reports must be filed with the State Department of Education.

The following table provides general information on the enrollments in Brevard County School District:

<table>
<thead>
<tr>
<th>Summary of Selected Statistical Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brevard County School District Schools</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Schools</th>
<th>Number of Instructors</th>
<th>FTE Enrollment</th>
<th>Average Expenditures per FTE Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/05</td>
<td>92</td>
<td>5,116</td>
<td>75,379</td>
<td>$5,649</td>
</tr>
<tr>
<td>2003/04</td>
<td>91</td>
<td>4,909</td>
<td>73,912</td>
<td>5,427</td>
</tr>
<tr>
<td>2002/03</td>
<td>91</td>
<td>4,401</td>
<td>71,451</td>
<td>5,241</td>
</tr>
<tr>
<td>2001/02</td>
<td>91</td>
<td>4,321</td>
<td>70,343</td>
<td>5,312</td>
</tr>
<tr>
<td>2000/01</td>
<td>90</td>
<td>4,234</td>
<td>69,212</td>
<td>5,251</td>
</tr>
</tbody>
</table>

Source: School District of Brevard County, Florida

The following table provides information on the total operating revenues of Brevard County School District charter schools, along with operating and capital grant receipts for the periods indicated.

<table>
<thead>
<tr>
<th>School Year</th>
<th>Total Payment</th>
<th>District Costs</th>
<th>Available Distribution</th>
<th>Charter School Population</th>
<th>Per Capita Distribution</th>
<th>Operating Grants</th>
<th>Capital Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>$10,633,495</td>
<td>$340,977</td>
<td>$10,292,518</td>
<td>1,762</td>
<td>$5,891.38</td>
<td>$1,095,112</td>
<td>$388,313</td>
</tr>
<tr>
<td>2002-03</td>
<td>$8,424,000</td>
<td>$230,000</td>
<td>$8,194,000</td>
<td>1,576</td>
<td>$5,199.24</td>
<td>$462,000</td>
<td>$506,000</td>
</tr>
</tbody>
</table>

Source: School District of Brevard County, Florida

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2 Includes Charter Schools
3 Full-time equivalent, inclusive of charter school students
4 Operating Fund Expenditures
5 Estimate
The School Charter

The Palm Bay Community Charter School—Patriot Campus (the “School”) is to be operated pursuant to a Charter between the City and the School Board of Brevard County, Florida (the “Sponsor”). In accordance with Florida law, charter schools that are operated by a municipality or other public entity as provided by law are eligible for up to a 15-year charter, subject to approval by the district school board, and the Charter with the City will expire on June 30, 2020, unless renewed. At the end of the term of the Charter, the Sponsor may choose not to renew the Charter because of a failure to participate in the states education accountability system, a failure to meet generally accepted standards of fiscal management, a violation of law or other good cause shown. The Charter may be terminated at any time if the Sponsor determines that good cause has been shown or if the health, safety or welfare of the students is threatened.

Under the Charter, the School is to commence operation beginning in the 2006-2007 school year. For administration of the School, the City has established the Palm Bay Municipal Charter School City (the “City”), as agent of the City.

The Charter provides that the City will be responsible for the financial and administrative management of the School, including a reasonable demonstration of the professional experience or competence of those individuals or organizations applying to operate the School, or those hired or retained to perform such processional services.

If the Charter is not renewed, the Sponsor will not be responsible for debts of the School.

Under the Charter, the core philosophy or underlining purpose of the school is the belief that all children can learn to function as responsible citizens and actualize their potential as productive members of the workforce. The school’s mission stems from the core philosophy and values the relationship between teacher and student and the role of the family in a child’s academic and social development. The school is non-sectarian and nondiscriminatory in its programs, admission policies, employment practices and operations. However, preference will be given to children of Palm Bay residents. If the number of applicants exceeds the capacity of a program, class, grade level or building, applicants will be selected through a random selection process. The School will establish waiting lists for residents and nonresidents.

The School is also obligated to implement a marketing and recruiting program, intended to assure that all children have an equal opportunity to be selected and enrolled in the School. The School is also required to provide programs implemented in accordance with federal, state and local law and policies for students with disabilities. Students with limited proficiency in English will be served by English for Speakers of Other Languages (“ESOL”) - certified personnel. An individual Limited English Proficient (“LEP”) plan must be developed for every student identified as limited English proficient.

With respect to academic accountability, an outline of the School’s curriculum must be submitted to and approved by the Sponsor. The Charter sets forth the standards the School is expected to meet for academic achievement, based primarily on school testing scores. According to the Florida A+ School Grading System, each school measures individual student success by student performance on the Florida Comprehensive Assessment Test (“FCAT”). Individual student performance data is combined to measure the school’s success. Obtaining an “F” from the state’s system of grading schools for two consecutive years is basis for revoking the Charter.

The basis for funding under the Charter is the Sponsor’s operating funds, including gross state and local funds, lottery funds and operating millage, divided by weighted full time equivalent ("FTE") students in the school district, multiplied by FTE students for the School. The Charter requires that payment shall be issued no later than ten working days after the Sponsor receives a distribution of state or federal funds. If a warrant is not issued within thirty working days, the Sponsor is required to pay interest at the rate of one percent per month. The initial payment shall be made on July 15, 2006, provided that the School has complied with the terms required by the Charter to open and has provided the Sponsor with a list of enrolled students. The Sponsor is entitled to withhold five percent of available funds for enrollment up to and including 500 students. Five percent of available funds for students in excess of 500 may be withheld and used by the Sponsor for capital outlay programs.
Payment will be made on a monthly basis in arrears, based on the estimated number of FTE students, with the final fiscal year payment to be adjusted to reflect the actual FTE students in membership during the survey period.

The School is required to submit an annual financial audit within two months after the end of its fiscal year.

The School is also required to provide lunch to all students and breakfast when required by state and federal guidelines. Transportation must be provided by the School free for students who reside between two and four miles of the School.

The Charter provides that the maximum number of students in core curriculum classes shall be 18 (pre-kindergarten through grade three), 22 (grade four through eight) and 25 (grade nine through twelve).

**Municipal Charter School Authority**

The Charter specifies that the School will be operated by a private manager and will be governed by the Authority, to whom the City has granted management and operational control pursuant to City ordinance.

The Authority is governed by a Board of Directors, three of whom are appointed by the City Council and two of whom are parents or guardians of School students. The Authority may recommend a private operator, subject to City approval, and is responsible for reviewing and approving curriculum of the School. The Authority will also establish regulations for the governing, management and operation of the School.

The present members of the Board of Directors of the Authority include:

**James Milucky:** James J. Milucky is certified public accountant practicing in the Greater Palm Bay area. In addition, Mr. Milucky is a certified fraud examiner and a certified forensic accountant. He has his masters in accounting and bachelors in finance.

**Cathy Martin:** Cathy Martin graduated from Radford University with a BS in Interdisciplinary Studies (elementary education) with a concentration in Special Needs. Ms Martin worked as a professional educator for five years, teaching Pre-Kindergarten for one year and then 3rd grade for the next four years. Ms. Martin has been in banking for over four years.

**Steve Riser:** With an education in parks and recreation administration (B.S. and M.S.) and over 30 years experience in public administration with the provision of parks, recreation facilities and recreation program, Mr. Riser has extensive experience with the provision of educational and leisure experiences for students and adults alike.

The execution of the Management Agreement, the Lease and the Ground Lease will be submitted to the Authority for approval.
Appendix C

THE PROJECT

The Patriot Charter School is planned as a 96,590 square foot, two story public education facility, built on approximately twelve landscaped acres located in the City.

The facility will have over 60 classrooms, plus computer rooms, media centers, science labs and music rooms. All classrooms will have impact glass windows at each exterior wall. The facility will include a 6,500 square foot cafeteria, which will serve both the dining needs of the students as well as auditorium events for presentations and gatherings.

The Site will have soccer fields and basketball courts as well as separate playgrounds for the elementary and kindergarten grades. The Site has over four acres of retention ponds at the front and rear property lines for storm water runoff, which will provide water for the irrigation of the campus. The Project Site will also have 170 parking spaces and separate access drives for bus and vehicular drop off and pick up. All drop off areas will include aluminum canopies at entrance and exit points.

All perimeter walls are comprised of 28 foot high, 9.25 inch thick concrete tilt wall panels with steel columns and beams supporting a second floor and the built up roof system. The roof consists of light weight concrete poured over a metal deck, supported by metal bar joists. The second floor of the facility consists of five-inch thick concrete poured over a metal deck.

The mechanical system consists of a 197-ton chilled water cooling system with accompanying energy management controls. The building features an automatic fire suppression system consisting of Class II sprinklers, as well as smoke and heat detection devices.

Initial site work has commenced and construction of the School is anticipated to be completed in approximately six months after the issuance of the Bonds. Construction of the Project facilities will be the responsibility of Alliance Companies, acting through its southeast regional office (“Alliance”). Alliance assists corporations and portfolio owners in the acquisition, construction, disposition, leasing, finance and management of industrial, office, and commercial properties throughout North and South America. The company focuses on corporate real estate projects in primary, secondary and tertiary markets. One of the officers of Alliance is a manager of HC, LLC.

Design and Construction

Facilities construction will be undertaken by R. A. Rogers Construction Co (the “Contractor”) under an Agreement between Owner and Contractor (the “Construction Contract”) by and between the Contractor and Alliance. The Contractor was established in 1989, and provides general contractor, construction management and design build services for projects throughout the Southeastern United States. Those projects include facilities for retail sales, office buildings, warehouses, industrial facilities, hospitality facilities and special use facilities.

Current projects and recent project include Wal-Mart projects in Casselberry, North Clermont, South Clermont, Jacksonville, Kissimmee, Palm Bay, Melbourne and Starke, Florida; Kohl’s stores in Altamont and Clermont, Florida; a Best Buy Center in Sanford, Florida; a Home Depot in Winter Park, Florida; and the Ming Wang Shopping Center in Orlando.

The Construction Contract provides for substantial completion of the Project facilities by June 30, 2006, for a contract sum of $12,671,316, plus $80,000 for the costs of payment and performance bonds.

The architect for the Project will be Perkins & Will (the “Architect”). The Architect was established in 1935, and has offices in Atlanta, Boston, Charlotte, Chicago, Dallas, Glastonbury (Connecticut), Houston, Los Angeles,
Anticipated Demand

In September 2005, administrators in the Brevard County School District (which includes the City of Palm Bay) prepared a Capacity Report (the “District Report”) in connection with charter school applications being considered by the School District. The District Report was prepared to compare (i) projected student population in the City of Palm Bay for the 2009-2010 school year, and (ii) projected “student stations” available for that year.

Following release of the District Report, PMG Associates, Inc. ("PMGA") was engaged by the City to undertake an independent analysis of the demand for Patriot Charter School (the “PMGA Report”), included herewith as “Exhibit H—CITY OF PALM BAY SCHOOL ANALYSIS.” PMGA specializes in providing information with respect to economic impact analysis (including market analysis, feasibility studies, demographic analysis and projections and regional impact reports), public opinion polling and surveys, transportation planning, annexation and incorporation studies, community planning (including services for municipal capital needs and funding) and utility systems planning (including financial planning, rate studies and revenue bond planning). PMGA undertook the original public opinion survey for Patriot Charter School, at the request of CSUSA.

The headquarters of PMGA is located in Deerfield Beach, Florida, with offices in Altamonte Springs and Miami, Florida. PMGA was founded in 1984 and has served clients throughout the United States, the Caribbean and Mexico.

The PMGA Report concluded that the number of students in the Applicant Pool (as determined and described in the PMGA Report) located in the proposed service area (generally, the southern portion of the City of Palm Bay) is 12,509 in 2005, and is projected to be 12,846 in 2010 (assuming all proposed school district construction and construction of proposed charter schools, including Patriot Charter School, is completed). Investors should review the PMGA Report in its entirety, including assumptions on which any conclusions or projections are based. Actual results will vary from any projections in the PMGA Report, and such variance may be material.

Appraisal

Lawson Valuation Group, Inc., of Palm Beach Gardens, Florida, has prepared an appraisal of the Project, indicating that the Project has a prospective value of $20,500,000. Copies of the Appraisal are available from the Underwriter during the officering period for the Bonds. Reference is made to the appraisal for the assumptions and basis on which such valuation was made.
Appendix D

CHARTER SCHOOLS USA, INC.

Charter Schools USA, Inc. (“CSUSA”) is the sole member of CSUSA at Palm Bay, LLC, the contracted manager of the Project. CSUSA is Florida’s largest private operator of public charter schools serving students from kindergarten through 12th grade. CSUSA contracts with municipalities and public charter school boards to plan, develop, operate and meet educational and financial performance goals as outlined in School District-approved charter contracts, as authorized by Florida law in return for State-appropriated per-pupil funding. Over the course of eight years of research, development and school operations, CSUSA’s team of educators, administrators and operators have refined and implemented a research-based curriculum and school design. CSUSA opened its first school in 1998, and by the 2006-2006 school year, they were serving approximately 13,000 students in 26 schools located across the State of Florida, from Panama City to Homestead. In the 2006-2007 school year, CSUSA expects to enroll a total of approximately 15,000 students in 30 schools located across the State of Florida.

CSUSA views itself as the leader nationally in developing K-12 feeder school systems within communities. Over the past four years, CSUSA has been building a feeder school system in Lee County, which CSUSA views as a case model for Brevard County’s. There are now four CSUSA-operated K-8 schools (two of which were completed in 2005) feeding a new 1,600-student capacity high school, creating a county-wide charter school feeder pattern intended to ensure that students will have a seat through graduation. At capacity, this feeder system will educate approximately 7,150 students. In each case, CSUSA establishes a separate limited liability company to act as manager of the respective school, with CSUSA as the sole member. That process allows CSUSA to control fiscal accountability for each facility, consistent with audit requirements of the State of Florida for charter schools, and is designed to prevent default or insolvency at any school from adversely affecting operations at other school facilities.

CSUSA is the first and largest operator of municipal charter schools in the U.S. Recent projects include: operating three municipal charter schools (not including Palm Bay’s municipal charter school) as well as managing Miami-Dade’s first municipal charter school.

Scope of Services

CSUSA views the fees charged by CSUSA (or its related operating entities) under their management agreements as comparable to or in many cases substantially less than the overhead and operating expenses paid by school districts and allocable to individual schools for district services. In fact, CSUSA feels it provides an expanded scope of services, benefited by an organization which operates facilities throughout the State of Florida. CSUSA’s scope of services includes, but is not limited to:

**Education Management**

- Customized curriculum designed to meet national, state, and local standards
- Continuous program evaluation
- Accountability
- Sustainable performance
- Curriculum material selection
- Student data analysis
- Student individual education plans, assessments, records, etc.
- Professional/school development
- Teacher instructional support, coaching, and mentoring
- Assistance in coordinating parent, teacher, and student organizations
**Development and Operations Management**

- Completion and submission of charter application and other pertinent documents
- Charter contract negotiations
- Assist in recruiting advisory board
- Ensure state, local, and school board compliance
- Develop project timeline
- Negotiate contracted services (food, transportation, security, custodial, etc.)
- Assess demographic and market needs
- Enrollment marketing plan
- Student registration
- Parent and student orientation

**Financial Management**

- Establish accounting systems
- Budget development and oversight
- Operation and capital budgets
- Monthly, quarterly, and annual financial and governmental reporting and analyses
- Fundraising, where applicable
- Application for grants and loans
- Third-party audit assistance

**Facilities Management**

- Strategic financing and construction partnerships
- Assist in site acquisition and/or lease negotiations
- Liaison with building and/or renovation team to ensure quality and design standards are met
- Operational design of classrooms and school space
- Programmatic input for functionality purposes
- Procure furniture, fixtures, equipment, and supplies
- Secure basic utility services (phone, water, electric & disposal service)

**Human Resource Management**

- Employee benefits
- Worker’s Compensation and 401k
- Employee stock option management
- Personnel administration: hire and employ principals, teachers and other staff
- Personnel policies and procedures
- Ongoing staffing assistance
- Payroll service
- Government compliance and reporting
- Professional back-office services

**Technology Management**

- Design and development of technology labs and student stations
- Local area network installation
- Wide area network installation
- Remote access and software integration
• Technology support
• Purchasing of technology
• Maintenance of Student Information System
• Maintenance of school websites
• Email hosting

In addition to the direct management of public schools, CSUSA also provides back office support services, summer and after-school programs and tutoring support.

There are, of course, instances in which CSUSA must adjust programs and policies affecting management activities undertaken by CSUSA. For example, in September 2005, the Florida Auditor General prepared its annual *Report on Significant Findings and Financial Trends in Charter School and Charter Technical Career Center Audit Reports prepared by Independent Certified Public Accountants* (the “Florida State Report”). Under Florida law, each Charter School is required to submit an annual audit report to the Florida Auditor General. Each separate independent certified public accounting firm preparing a report includes, if appropriate, any findings that were considered by such accounting firm to be a material weakness in internal control. The Florida State Report provides a summary of the findings and financial trends identified in the audit reports submitted to the Auditor General for 247 charter schools.

The Florida State Report identified nine charter schools operated by CSUSA or its affiliates during the school year ending June 30, 2004 which had material weakness. Because CSUSA had been aware of each audit, appropriate action had been taken to address the causes of any material weakness. As a result of such action, none of the audits prepared to date for the school year ending June 30, 2005 (11 of the 18 audits) prepared for schools operated by CSUSA or an affiliate, includes any finding of material weaknesses, and CSUSA does not anticipate additional reports of material weakness will be included in the Auditor General Report for the school year ending June 2006.

Management at CSUSA believe that CSUSA’s full service - development to operations - school model offers municipalities, school districts, parents and communities who face widespread concern about disappointing student achievement, the benefits of a large private sector company with State-wide support systems. Those benefits include:

♦ the ability to build a rigorous and productive learning environment where students can reach their academic potential and where teachers set clear educational goals that demonstrate learning is central. The organization’s core philosophy is based on the belief that all children can learn, function as responsible citizens, and actualize their potential as productive members of the workforce. The school’s mission stems from the core philosophy and values the relationship between teacher and student and the role the family plays in a child’s academic and social development.

♦ an increased emphasis on accountability for achieving improved academic performance as defined by the Florida A+Plan and the No Child Left Behind Act, as overseen by the US Department of Education.

These benefits contribute to an enhanced educational experience that has proven attractive to municipalities, parents and teachers. Elements of that experience include:

♦ dedication to increasing academic opportunities, standards and performance.

♦ the vision to provide premier educational services, drive academic excellence in the Charter School and School Management Industry, build a powerful platform for profound educational reform in the United States and create substantial long-term value for investors and management.
Elements of that experience also include CSUSA’s guiding principles, founded upon CSUSA’s utmost valuation of:

- children – their innocence, individuality and potential for greatness
- quality, reflected through excellence and professionalism
- integrity, reflected through honesty and personal accountability
- sustainability, reflected by enriching the present and building the future through profit and growth
- learning, reflected through constant renewal and innovation in the spirit of renaissance
- people with courage, unique talent and vision
- cooperation, reflected through partnership, teamwork and family
- commitment to a life of purposefulness to a greater cause-to giving back and making a difference

Management

CSUSA’s management team is led by Jonathan K. Hage, President and Chief Executive Officer. Mr. Hage founded CSUSA in 1997, and presently has approximately 2,000 employees educating nearly 13,000 students across Florida. Under Mr. Hage, CSUSA started the nation’s first charter school-in-the-workplace, the first municipal charter high school and the largest, municipal charter middle-high school. CSUSA currently operates 26 schools on 16 campuses including 4 schools that opened in 2005.

In 2003, Mr. Hage helped form the nation’s first national association for the emerging private education service industry, the National Council of Education Providers (NCEP). Representing the $1+ billion industry, Mr. Hage serves as the founding president and chairman of the board of NCEP, based in Washington, D.C. During the recent Presidential election, Mr. Hage was appointed to the National Steering Committee of the Bush/Cheney 2004 Campaign as an education advisor and spokesperson, promoting the charter school movement through commentaries to Education Week, Fox News and other national media. During the 1992 Presidential race, Mr. Hage developed research material for President George H. W. Bush.

Prior to CSUSA, Mr. Hage was President & CEO of Integrated Strategies Group, Inc. (“ISG”), a corporate and government affairs consulting firm serving government, non-profit, political and corporate clients. Prior to ISG, Mr. Hage was Director of Research for Jeb Bush’s Foundation for Florida’s Future where he worked on education, tax and welfare reform. Mr. Hage wrote and researched articles on State reform issues and has regularly testified before the Florida House and Senate. Mr. Hage also assisted in the early development of the first charter school in Florida, the Liberty City Charter School, a collaboration between Jeb Bush and T. Willard Fair, President of the Miami Urban League.

From 1990-1994, Mr. Hage served as Research Associate in Foreign Policy and Defense Studies for The Heritage Foundation, a Washington, D.C. based think-tank, where he researched, wrote and published public policy studies and articles. He has also served on multiple public boards including Broward County’s Charter Task Force and the State of Florida’s Charter Review Panel appointed by the Senate President.

Mr. Hage served in the United States Army, Army National Guard and Army Reserves as a commissioned officer in the Special Forces (Green Berets), from 1986-1996 and was discharged honorably. He holds a B.A. in Political Science from the University of Colorado and an M.A.L.S. in International Affairs and Economics from Georgetown University. Mr. Hage currently serves on the Board of Directors for Goodwill Industries, Child Net and Associated Industries of Florida. He and his wife, Sherry, who is Vice President of Educational Programs at Charter Schools USA, live in the Fort Lauderdale area.

Dave Cash is a seasoned Certified Public Accountant who serves as Vice President – Corporate Finance, reporting directly to the CEO. He brings over 25 years experience in the auditing and senior financial management role. Mr. Cash began his professional career in public accounting and achieved the position of Senior Audit Manager at Coopers & Lybrand before owning his own CPA practice. He has served as a member of senior management teams for the last ten years.
Mr. Cash is active in the Florida Institute of Certified Public Accountants (FICPA). He has served as a member of the Executive Committee, and was elected by his peers to serve a two-year term as regional vice president of the FICPA. He has worked on numerous committees of the FICPA and was president of the Institute’s South Dade Chapter. He received his Bachelor of Science degree in Accounting from the University of Maryland in 1979. He is a licensed certified public accountant in the states of Virginia and Florida.

**Thomas J. Geismar, Ed.D.**, is Chief of School Support at Charter Schools USA, overseeing the academic performance of the schools, with school principals reporting to him. His thirty-two year career with Broward Public Schools included positions as teacher, assistant principal, principal at two middle schools and one high school, area director, and area superintendent.

Dr. Geismar is an adjunct professor at Nova Southeastern University, where he teaches Leadership in the Instructional Technology and Distance Education doctoral program, and he also serves as a committee chair for doctoral students. Dr. Geismar earned his B.A. degree from Hiram College, and his Master of Education and Doctor of Education degrees from Florida Atlantic University. He is noted for his commitment to academic excellence and innovation to improve student achievement.

**Horace F. McLeod, Ed.D.**, is Vice President of School Support at Charter Schools USA. He is responsible for development, implementation, and support for technical education. He earned his Bachelor of Arts degree in Mathematics from Florida A&M University, his Master’s degree in Administration and Supervision of Vocational Education from Florida International University, and his Doctor of Education degree in Educational Leadership from Nova Southeastern University.

Dr. McLeod worked 35 years in the Broward County Public School System as a teacher, an administrator, and the technical center director at the William T. McFatter Technical Center and Sheridan Technical Center. He continued to serve the education community as president of the Broward County Chapter of the National Alliance of Black School Educators (NABSE), and as a consultant with the national NABSE organization. His leadership roles in the past have included director of the Hollywood Business Council, and member of the Florida Advisory Committee for Automotive Careers. Dr. McLeod is an adjunct professor at Nova Southeastern University, and serves on the Board of Directors of the Taylor County Leadership Organization.

**Thomas Rogers, JD** is Executive VP and Chief Information Officer at Charter Schools USA. Mr. Rogers is primarily responsible for management and oversight of the design, development and construction of new schools. He leads a support team providing services from initial school site planning to “pre-opening” activities to technology systems design. Applying over 17 years of technology and education experience, he has led the development of CSUSA’s Student Information System (SIS). Mr. Rogers is a retired Army Aviation Officer and a member of The Florida and Federal Bars.

**Mark Levenson** serves Charter Schools USA as Senior Vice President of Human Resources. He is responsible for all Human Resource areas, including but not limited to, recruiting, labor law, benefits, and workers’ compensation, safety, and employee relations. Mr. Levenson has been in Human Resources for 26 years, serving in various executive HR positions. Prior to his Human Resource career, Mr. Levenson was a High School Band Director in Minnesota. He received his B.S. in Music Education from University of Minnesota.

**Lorrie Davidson** serves Charter Schools USA as Controller and Vice President – School Finance. In this role, she oversees the school budgeting process and business administrators at each school. Ms. Davidson formerly held key accounting positions at major corporations in South Florida. Prior to CSUSA, she was the Controller for Stephens Distributing Company, an Anheuser-Busch wholesaler, for five years. Prior to Stephens Distributing, Ms. Davidson contributed in taking ProSource Distribution Services, a national food distribution company, through its initial public offering. Ms. Davidson also ran her own financial consulting business focusing on computer automation, financial management and business acquisitions. Her early career began at Barnett Bank of Palm Beach County where she managed two banking offices in Northern Palm Beach County. Her focus at Barnett was on
Business Development and Commercial Lending. Ms. Davidson is a graduate of the University of Florida with B.S in Accounting and B.S. in Business Administration.

**Sherry Hage** is Vice President of Educational Programs at Charter Schools USA. Ms. Hage obtained her Masters Degree in Education from the University of Maryland. With seventeen years of experience, her career started in the elementary and middle school classrooms within the Broward County Public Schools where she also served in the Curriculum Department as a Teacher on Special Assignment. Additionally, Ms. Hage has worked as an Adjunct Professor for the School of Education at Florida Atlantic University. Ms. Hage has aligned the CSUSA Educational Model and the Student Information System with Sunshine State Standards to ensure that the combination is innovative and stimulating both for the teacher and the student. As Vice-President of Educational Programs with Charter Schools USA, she assesses and monitors student progress at CSUSA-managed charter schools and continually refines and utilizes best practices that promote high academic achievement for all.

**Maria de L. Rodriguez, Ed.S.** serves Charter Schools USA as Director of School Support, where she is responsible for the oversight of school development, implementation, and compliance with State and federal regulations. Ms. Rodriguez earned her Bachelors of Arts degree in Secondary Education and English from the University of the Sacred Heart, in San Juan, Puerto Rico, a Master’s degree in Teaching English to Speakers of Other Languages from Florida International University, and an Educational Specialist degree in Educational Leadership from Nova Southeastern University.

For the past 26 years, her professional career has expanded from the classroom to several administrative positions, having held positions as K-12 ESOL Coordinator; Diversity & Cultural Outreach Coordinator and then Director, Diversity & Cultural Outreach with the Broward County Public School District. Ms. Rodriguez has been an adjunct professor at Florida International University, and a Florida Department of Education trainer for State-required ESOL training courses. Ms. Rodriguez serves as a member of the Florida Department of Education FCAT Bias and Sensitivity review committees.

**David Morgan, JD** serves as IT Director at Charter Schools USA. Mr. Morgan is responsible for leading the Information Technology Team comprised of technicians, programmers and support personnel located at the Corporate Headquarters and throughout the various schools. In addition to management duties, Mr. Morgan is also the lead developer of CSUSA applications (including CSUSA’s custom Student Information System) and corporate database administrator. Mr. Morgan brings over 14 years of experience with technology implementation and support in an educational environment and has been managing IT teams for over 8 years. Mr. Morgan received his M.B.A. from Nova Southeastern University.

**Ivy Benardo** serves as Director of Marketing and Enrollment. Ms. Benardo’s mission includes opening new schools and maintaining full enrollment of our existing schools. As new school locations are planned and selected, Ms. Benardo develops marketing strategies to ensure full enrollment. Ms. Benardo joined CSUSA having spent over 20 years in higher education administration as Director of Student Services for Nova Southeastern University Shepard Broad Law Center, Ms. Benardo served the academic affairs and graduate/undergraduate student service areas, including student admissions and enrollment, where she managed the progress and supervised the support services for hundreds of law students. She was instrumental in developing software design for a web based registration process and oversaw the integration of web based communication with students to include grades, registration, curriculum selection and evaluations. Ms. Benardo’s professional career was launched at Pepperdine University’s School of Business and Management. A position in Program Administration offered her the opportunity to manage the school’s largest MBA track consisting of approximately 1900 students. As Director of Academic Affairs, she served the faculty and Dean in overseeing the operation of the educational centers located throughout Los Angeles, CA. Ms. Benardo attained a Bachelor’s degree in Psychology from Herbert Lehman College, CUNY and has completed course work toward an MBA.

**Andrea Lother** oversees CSUSA’s project management team, serving as Director of Projects and Facilities. She brings seventeen years of project management experience to all CSUSA facility design and construction projects. Ms. Lother maintains expertise in the field of innovative school design and regulations related to construction and building code. Most recently, Ms. Lother has managed simultaneous projects including an 115,000
sq. ft., 1600 student charter high school, two 70,000 sq. ft. K-8 schools and the conversion of a K-8 private school into a new charter school, simultaneously. Prior to joining the CSUSA team, Ms. Lother managed construction projects for G.L. Homes. She is a Florida licensed General Contractor and a Certified Project Manager.

**Eric B. Lewis** is a Charter Schools USA Academic Area Director who has made a career of working with students in a diversity of settings for more than 10 years and has taught in both elementary and middle school classrooms. His responsibilities include professional development, certification, research, and support of the educational programs for the K-12 system of CSUSA schools in Lee County, Florida. Mr. Lewis is a graduate of Southeastern University in Lakeland, Florida and will soon complete his Masters of Education degree from Florida Gulf Coast University.

**Alesha Arscott** serves as an Education Coordinator/Data Analyst for Charter Schools USA. In this role, she is responsible for assisting with the development of the CSUSA Narrative Report Card, the CSUSA Student Information System, (SIS), the Data Management System and teacher and administrator training on SIS and other staff development workshops. Ms. Arscott formerly served as assistant project manager for a non-profit performing arts organization. She holds a Bachelor of Arts degree from Williams College and is completing a Masters of Education degree focusing on Educational Technology.

**Gina M. Faya** serves Charter Schools USA as Project Development Manager. Ms. Faya manages project support for new business development, including demand analysis for potential school sites. She also supports the Education Team as a liaison to charter boards, as well as providing grant research and writing, school development assistance and charter application submittals. As a certified Paralegal in Litigation and Corporate Law, Ms. Faya established a consulting firm that served various municipalities. In Florida, she served the Miami-Dade Aviation City by re-structuring a complex vendor bidding model to comply with legal requirements and provided management oversight of its RFP process for several years. Ms. Faya was born in Cuba. Upon her family’s relocation to the U.S. in 1964 they settled in New York State. She holds a Bachelor of Arts from the College of New Rochelle. She recently completed a Master’s degree in Management and Business Administration from American Intercontinental University, in Florida. She is currently pursuing State licensing in real estate.

**Industry Background**

The United States currently educates over 48 million students in public K-12 schools at an annual cost of approximately $435 billion, second only to healthcare spending (NCES, Vol. 6, No. 3). Despite the growth in spending on public education over the last decade, student achievement has progressed only marginally, increasing the proportion of students reaching the basic level, according to the National Assessment of Educational Progress (“NAEP”). A White House summary on education reform reports that high school seniors currently trail students in Cyprus and South Africa on international math tests and that nearly 70 percent of inner city fourth graders are unable to read at a basic level on national reading tests. For example, the overall performance in 8th grade reading achievement from 1992 to 1998 has been essentially flat over the past five years. Between the 2002 and 2003 assessments there was even a slight downturn at the 10th and 25th percentiles (NAEP, 2003). Reaching the Proficient achievement level requires developing the ability to analyze and reason and interpret, to draw inferences and make trenchant summaries, not just to provide details. The ability to comprehend and use what is read is vital to success in high school and college. It is the Proficient level that many students fall short, that progress has been slow. The National Assessment Governing Board maintains that students lacking the ability to apply the math they’ve learned to different, often unfamiliar situation or lacking the ability to comprehend and use what is read by the end of the middle school or junior high, are bound to encounter serious problems later in life. The NAEP, also known as “the Nation's Report Card,” is the only nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since 1969, nationwide assessments have been conducted periodically in reading, mathematics, science, writing, U.S. history, civics, geography, and the arts.

Public education remains high on national, state and local political agendas. President Bush and both major national political parties have placed education at the center of their national platforms, and many state and local authorities have enacted or encouraged measures to implement significant educational reforms. Some of these
reforms are programmatic innovations occurring within public schools. Examples include expanded levels of teacher training, higher standards, more rigorous testing and more effective technology.

Other initiatives have sought to reform the public education system itself by embracing the market-oriented concepts of competition, accountability and a broader range of parental choice. Key reform initiatives include the following:

**No Child Left Behind.** On January 8, 2002, President Bush signed into law the No Child Left Behind (“NCLB”) Act, a comprehensive education reform package with wide ranging effects on the education community. Many of the NCLB provisions are designed to lift the achievement level of under-performing students in traditionally low-achieving schools. The goal of No Child Left Behind (NCLB) is to have 100 percent of students proficient by 2013-2014.

Florida has set intermediate goals for reading and mathematics for all schools and all students across grade levels in order to reach 100 percent proficiency by the end of the 2013-14 academic year. CSUSA’s academic programs focus on a curriculum rooted in solid educational research and aligned to Florida Sunshine State Standards (FSSS), the CSUSA Educational Model, continuous assessment of data related to student performance, analysis of student learning gains, and a faculty that can deliver instruction that meets each student’s academic needs.

This new legislation mandates that schools that fail to meet adequate yearly progress must take a series of steps to remedy their poor academic performance. These steps may include:

- providing supplemental services to its students; offering school choice options to its students; spending more Title I funds on professional development for teachers; reopening the school as a charter school; and
- contracting with a private management company. Additionally, all newly hired teachers must be highly qualified -- a new teacher must hold at least a bachelor’s degree and must demonstrate knowledge of the subjects he or she is teaching by passing a rigorous state test.

**Charter Schools.** Since Minnesota first enacted legislation in 1991, 45 states and the District of Columbia have passed charter school legislation. Under the typical charter school statute, identified entities, such as the state board of education or a state university, are authorized to grant a specified number of charters to community groups or non-profit entities to create a public school. A growing number of charter boards in turn contract with private sector organizations to operate the schools. In return for a large measure of autonomy from regulation, the charter school is accountable for student academic performance. Many charter school statutes limit the number of charter schools or the number of students that may enroll in charter schools. Currently, there is an estimated enrollment of almost 1,000,000 charter school students in 40 states and the District of Columbia. As of April 2005, approximately 3,500 charter schools are operating across the United States. In Florida, charter schools have grown to enroll nearly 100,000 students in some 301 schools.

**District Partnership Schools.** District partnership schools are public schools operated by private organizations based upon management agreements with local school boards. Unlike charter schools, district partnership schools do not require specific statutory authority, but are created through a contract between a school management company and a school board in accordance with existing authority.

**Voucher Programs.** Voucher programs provide for the issuance to parents of tuition vouchers worth a certain amount of money that they can redeem at any approved school of their choice. These programs allow students to choose among public schools, which would have to compete for students, or possibly even attend private schools. Legislation in Wisconsin has provided vouchers in Milwaukee since 1990, and legislation in Ohio has provided for vouchers in Cleveland since 1996. In June 2002, the Supreme Court ruled that the Cleveland program did not violate the First Amendment of the U.S. Constitution, which has encouraged voucher advocates across the country, (although in August 2002 a Florida circuit court ruled that the state’s 1999 voucher legislation violated the state constitution.) Voucher legislation has also been introduced in several other states, and private philanthropists have funded a number of voucher programs.
Choices Offered by School Districts. School districts are offering increased choice to their students by, for example, establishing magnet schools serving students within the district and allowing students to attend schools across district lines. Magnet schools are specialized public schools offering unique programs, such as curricula emphasizing math, science or the arts.

State Takeover Statutes. Some states have exercised their ability under local law to divest local school boards of their authority to manage an identified school or schools within the district. These states include, among others, Florida, Maryland, New Jersey, Michigan and Pennsylvania.

The CSUSA Solution

CSUSA offers Florida school districts and charter boards a vehicle for overcoming many of the inherent constraints that have impeded systemic reform of public schools.

CSUSA’s Guaranteed and Viable Curriculum is aligned to specific state standards and grade-level expectations and is the framework of what is taught at each grade level. Timely and specific feedback based upon formative assessments of student performance on grade level expectations is given to establish individualized goals for all students and to modify instruction to meet students’ learning needs. With the CSUSA Guaranteed and Viable Curriculum as its core, the CSUSA Educational Model provides the process for improving student learning and academic achievement. The six steps included in the Model are baseline assessment, data-driven instruction, assessment, grading, reporting and the decision box. A Network of administrators, teachers, parents, students and the CSUSA Education Team supports every step in the transition.

The CSUSA solution includes five equally critical and mutually reinforcing Educational Goals:

Goal No 1. Students will demonstrate academic improvement and success by either meeting high standards or making annual learning gains as defined by the Florida A+ Plan. The organization understands and is dedicated to ensuring that all children have a fair, equal, and significant opportunity to obtain a high-quality education and continually strive for academic excellence on challenging State academic achievement standards (the Sunshine State Standards) and the State academic assessment (the FCAT).

Goal No 2. Every CSUSA-managed school will make adequate progress with the lowest 25% in reading as defined by the Florida A+ Plan.

Goal No 3. Every CSUSA-managed school will improve writing performance by 1% or maintain a minimum of 90% proficiency as required by No Child Left Behind (NCLB). Proficiency is defined as receiving a 3.5 or higher on the FCAT Writes.

Goal No 4. The goal of NCLB is to have 100 percent of students proficient by 2013-2014. Florida has set intermediate goals for reading and mathematics for all schools and all students across grade levels in order to reach 100 percent proficiency by the end of the 2013-14 academic year. The CSUSA model ensures that every effort is made to meet Adequate Yearly Progress (AYP) or that safe harbor criteria is met, as defined by No Child Left Behind. For the school year 2005-2006 AYP criteria is projected by the State at 53% scoring at or above a level 3 in mathematics on the FCAT and 48% scoring at or above a level 3 in reading on the FCAT.

Goal No 5. FCAT Science measures achievement in science for Florida students by assessing student progress on benchmarks identified in the Sunshine State Standards.

In addition:

♦ All students maintain a portfolio demonstrating and charting improvement and mastery of skills required at the student’s particular grade level. This portfolio will be part of the Personal Learning Plan (PLP), which
is the compendium of parent, student, and teacher conferences. The PLP establishes academic goals for each individual student in relation to the student’s performances and progress.

♦ In the Parent Satisfaction Survey, which is distributed to parents every year, the percentage of parents who will agree or strongly agree to the statement, “I would recommend our charter school to a friend,” will be no less than 90%.

Of course, the successful implementation of the CSUSA Solution at any school facility will be affected by multiple factors, some of which are not in the control of CSUSA. While CSUSA has developed its curriculum, management, assessment and instructional models based on the experience of its personnel in primary and secondary educational facilities across Florida, there can be no assurance that any program will be successful, or that the successes at any school can be repeated in another location.

One method of measuring achievement is the Annual Yearly Progress (“AYP”) under the No Child Left Behind Act, which measures compliance (on a percentage basis) with the criteria set forth in NCLB. In addition, some Florida schools (based upon size and years in operation) are graded based upon the Florida A+ Plan, assigning points based upon student performance in areas such as math, reading and writing. The following represents scores for schools managed by CSUSA which qualify for Florida A+ Plan grading:
<table>
<thead>
<tr>
<th>County</th>
<th>School</th>
<th>2004 Grade</th>
<th>2006 Grade</th>
<th>2004 AYP Met</th>
<th>2006 AYP Met</th>
<th>2004 AYP % Met</th>
<th>2006 AYP % Met</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miami-Dade</td>
<td>Academy of Arts &amp; Minds</td>
<td>C</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>100%</td>
<td>100%</td>
<td>4th grade Reading: 91% proficient</td>
</tr>
<tr>
<td></td>
<td>Aventura Charter Elementary School</td>
<td>B</td>
<td>A</td>
<td>Y</td>
<td>Y</td>
<td>100%</td>
<td>100%</td>
<td>4th grade Mathematics: 91% proficient (Ranked #2 in the district)</td>
</tr>
<tr>
<td>Bay</td>
<td>Bay Haven Charter School</td>
<td>A</td>
<td>A</td>
<td>N</td>
<td>Y</td>
<td>97%</td>
<td>100%</td>
<td>70 points increase in school grade to move from a &quot;C&quot; to an &quot;A&quot; (largest increase in South Lee County); Only school in South Lee County to make AYP</td>
</tr>
<tr>
<td>Lee</td>
<td>Bonita Springs Charter School</td>
<td>C</td>
<td>A</td>
<td>N</td>
<td>Y</td>
<td>93%</td>
<td>100%</td>
<td>70 points increase in school grade to move from a &quot;C&quot; to an &quot;A&quot; (largest increase in South Lee County); Only school in South Lee County to make AYP</td>
</tr>
<tr>
<td>Lee</td>
<td>Cape Coral Charter School</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>Broward</td>
<td>Coral Springs Charter School</td>
<td>A</td>
<td>A</td>
<td>N</td>
<td>Y</td>
<td>93%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Miami-Dade</td>
<td>Downtown Miami Charter School</td>
<td>F</td>
<td>C</td>
<td>N</td>
<td>Y</td>
<td>87%</td>
<td>100%</td>
<td>77 points increase in school grade to move from an &quot;F&quot; to an &quot;C&quot;; Made AYP</td>
</tr>
<tr>
<td>Lee</td>
<td>Gateway Charter School</td>
<td>B</td>
<td>C</td>
<td>N</td>
<td>Y</td>
<td>97%</td>
<td>100%</td>
<td>Increased enrollment by 600 students; 1 point away from maintaining a &quot;B&quot;</td>
</tr>
<tr>
<td>Lee</td>
<td>Gateway Charter High School</td>
<td>C</td>
<td></td>
<td>N</td>
<td></td>
<td>87%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broward</td>
<td>Hollywood Academy of Arts &amp; Science</td>
<td>C</td>
<td></td>
<td>N</td>
<td></td>
<td>93%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miami-Dade</td>
<td>Keys Gate Charter School</td>
<td>P</td>
<td>B</td>
<td>N</td>
<td>*P</td>
<td>90%</td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>Broward</td>
<td>North Broward Academy of Excellence</td>
<td>B</td>
<td>A</td>
<td>N</td>
<td>*P</td>
<td>90%</td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>Broward</td>
<td>Parkway Academy</td>
<td>D</td>
<td>D</td>
<td>N</td>
<td>N</td>
<td>77%</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td>Miami-Dade</td>
<td>Renaissance Elementary Charter School</td>
<td>A</td>
<td>A</td>
<td>Y</td>
<td>Y</td>
<td>100%</td>
<td>100%</td>
<td>3rd year in a row earning an &quot;A&quot; and making AYP</td>
</tr>
</tbody>
</table>

* (P) indicates provisional AYP. A provisional AYP is assigned if a school did not meet AYP, but received a school grade of A or B.
The following chart compares performance in the Florida A+ Plan for schools managed by CSUSA, compared to state-wide scores.

### Multi-Year Summary of School Grades: TOTAL POINTS

#### All Eligible Tested Students Grades 3-10

<table>
<thead>
<tr>
<th>FCAT Year</th>
<th>Charter Schools USA</th>
<th>Florida</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>409 (B)</td>
<td>401 (B)</td>
</tr>
<tr>
<td>2004</td>
<td>418 (A)</td>
<td>405 (B)</td>
</tr>
<tr>
<td>2005</td>
<td>448 (A)</td>
<td>401 (B)</td>
</tr>
</tbody>
</table>

The CSUSA Curriculum

CSUSA’s Guaranteed and Viable Curriculum (GVC) was developed using guidelines from Marzano’s *What Works in Schools*. A Guaranteed and Viable Curriculum is primarily a combination of the factors “opportunity to learn” and “time.” Both factors have strong correlations with academic achievement. The concept of *Opportunity to Learn (OTL)* is a simple but powerful one—if students do not have the opportunity to learn the content expected of them, there is little chance that they will. OTL addresses the extent to which the curriculum in a school is “guaranteed.” This means that there must be clear guidance to teachers regarding the content to be addressed in specific courses and at specific grade levels. It also means that individual teachers do not have the option to disregard or replace assigned content. The concept of time is also simple. The content that teachers are expected to address must be adequately covered in the instructional time teachers have available. CSUSA developed a scope and sequence for all subjects aligned to the Florida Sunshine State Standards and Florida Grade Level Expectations to ensure that CSUSA’s curriculum is both, *guaranteed* and *viable*. The GVC ensures academic excellence in every classroom and encourages steady academic progress as students build their knowledge and skills from one year to the next. Our curriculum’s design uses a spiral approach, meaning that when a skill is introduced, practiced, and applied, it is ultimately mastered at a specific grade level. A spiral curriculum recognizes the need for a skill to be reintroduced again at a higher level of learning and mastery.

*a Baseline Assessment* Baseline assessment provides all stakeholders with the information needed to identify students’ strengths and weaknesses and to effectively target instruction. Baseline assessments include but are not limited to the Florida Comprehensive Achievement Test (FCAT), The Norm-Referenced Test (NRT), The CSUSA Benchmark Tests, SRUSS (for elementary grades), DAR and/or other diagnostic assessments.

*a Data-Driven Instruction* The Network retrieves baseline assessment data from the CSUSA Student Information System (SIS). The Network then analyzes the information and adjusts instructional focus calendars and/or engages in regrouping strategies as needed to differentiate instruction to meet the needs of all students. Adjustments to classroom instruction are driven by data.
Assessment Assessments measure instructional effectiveness and student achievement and are an integral part of the Model. Formative assessments, in particular, provide a systematic and regular measurement of students’ progress in the classroom and are the process by which the results are used to drive instructional practice. The primary objective of formative assessment systems is to guide ongoing instruction compared to summative assessment systems that measure where students are at the end of instruction. Formative assessment enables teachers to identify instructional priorities and deliver targeted instruction, intervention, remediation, or enrichment to their students as necessary (The Research Basis, 2004). Scientifically based research has shown that formative assessment combined with individualized instruction produces significant learning gains. For example, formative assessment has been shown to raise student achievement by 15 – 30 percentile points on standardized tests (Stiggins, 2002). In addition, formative assessment has been shown to be particularly effective with low achievers. “Formative assessment supports the expectation that all students can learn at high levels. Formative assessment with differentiated instruction supports all students and yields particularly good results with under-performing students by concentrating on specific problem areas and delivering instruction on how to improve them (Black & William, 1998). Through benchmark and standards testing, the School will continually monitor all of its students, especially the academic growth of its low-achievers, in order to immediately modify instructional practices to facilitate improved learning.

CSUSA teachers use formative assessment as a diagnostic tool to address individual student needs, especially those of low-performing students. By incorporating a student’s academic record and FCAT results of the previous year, and formative assessment, teachers will create Personalized Learning Plans (PLP) for each student. A PLP is a planned path of growth, designed for each student. It ensures that the individual needs of each student are met. A PLP will be created for each student at the beginning of the school year and will be modified throughout the year as student strengths and weaknesses are identified.

Using the research of Howard Gardner, a professor at Harvard University, educators should benefit from understanding and applying his Theory of Multiple Intelligences. Using this theory, teachers begin to realize that students come to them possessing a variety of intelligences, and that the way something is taught to one student may not work for another student. Rather than teaching the same way to all students (traditionally addressing only the linguistic and logical-mathematical intelligences), teachers should teach using a variety of methods to reach the strengths of all students and to develop the broad intelligences individuals possess. Students’ strengths and weaknesses should be identified and included in their Personal Learning Plan.

Grading Formative assessments are graded through the Teacher eGrade Book via the CSUSA Student Information System (SIS). As the students complete assignments, their grades are recorded in the eGrade book and attached to the lowest level of the Sunshine State Standard (Grade Level Expectation or Benchmark). The correlation of the student’s grades to the Sunshine State Standards reports the student’s achievement level of mastery on each assessed Grade Level Expectation (GLE) or benchmark.

Reporting SIS reports offer each charter school the capability of disaggregating data sorted by individual student, by individual class, by grade level and by school. SIS offers teachers, parents, and students online web access to student data. Student achievement data is included in each student’s file and makes year to year evaluation and tracking of benchmarks more efficient. The SIS reports provide students, parents, teachers, and administrators’ key information to shape and differentiate each student’s instruction.

Decision Box The process of data-driven instruction, assessment, grading and reporting of a particular objective is now complete. Teachers and administrators, based on the data, will make the decision to either move on to a new objective and begin with a baseline assessment, or revisit the same objective through data-driven instruction.
Management Discussion and Analysis

After consideration and review of qualified charter school operators, CSUSA was engaged by the City in 2004 in connection with the City’s desire to prepare for, rather than react to, educational demands within the City. Based on existing committed development, the City is estimated to have a buildout population of 257,344 persons and a total of 103,388 housing units. The City of Palm Bay ranked first in population gain between 2000-2003 when compared with the other fourteen cities in Brevard County. However, the Brevard Public School District reported limited capital resources, and only one elementary school (presently under construction) has been planned for the City. Charter Schools USA has been tasked with determining the proposed Project’s viability, and to align the educational goals of the municipality and the required financial demands with the proven educational and budgetary model. That task resulted in a proposal for financing, construction and operation of the Patriot Charter School.

Start Up Charter Schools. CSUSA recognizes that there are issues and challenges that are unique to start-up charter schools and developed and refined a marketing and enrollment strategy for Patriot Charter School based primarily on strategies successfully implemented in similar situations in Florida.

For example, CSUSA compares the issues facing the Palm Bay area with those that have been faced in the Fort Myers/Lee County market on Florida’s Gulf Coast, where CSUSA-related entities manage five charter schools. In Lee County, population growth and limited financial resources have strained the local school district’s ability to construct and operate schools, especially in light of the requirements imposed by class size reductions mandated by Florida’s Constitution. In addition, parents in Fort Myers showed a strong interest in taking advantage of benefits typically associated with charter schools, such as high levels of community involvement, low student/teacher ratios, and an emphasis on learning opportunities and innovative teaching methods.

CSUSA particularly compares Patriot Charter School to Gateway Charter School in Fort Myers. The Gateway Charter School was opened in 2003, managed by CSUSA and operated under a charter held by The Lee Charter Foundation, Inc. (“Lee Charter Foundation”). Gateway Charter School was designed with a capacity of 1,000 students. The school developed a waiting list, and was then expanded to accommodate additional students. At the present time, the school has a capacity of 1,600 students and a waiting list of approximately 315 potential enrollees.

Lee Charter Foundation then opened Gateway Charter High School, managed by CSUSA, with the intended design that students from Gateway Charter School and other charter schools could eventually matriculate to a charter high school, essentially allowing for a full primary and secondary education experience in charter schools.

Because additional property became available at an attractive price, two more charters were secured by Lee Charter Foundation for Cape Coral Charter School and Six-Mile Academy Charter School. Both schools are operated out of the Six-Mile Academy facilities, until mid-November, 2005 when construction is completed on the Cape Coral Charter School. CSUSA anticipates that those schools can then be marketed to full enrollment, and serve as “feeder school” to Gateway Charter High School.

Including the Bonita Springs Charter School, discussed below, CSUSA’s Lee County presence went from 250 students in the 2001-2002 school year to over 4,000 in 2005-2006.

The City of Palm Bay eventually plans on developing a feeder school structure where 8th grade students will attend a future charter high school. The City and CSUSA will not open additional campuses that would compete with Patriot Charter School. However, the demand for additional schools may be warranted if the City population growth continues and additional school district facilities are not constructed by the school district to match that growth.

In developing the proposal for Patriot Charter School, CSUSA also drew on successes in the planning and development of other start-up charter schools in Florida.
Bonita Springs Charter School, in Lee County’s Bonita Springs started in 2001 with a temporary campus and 250 students. By its second year, the school was at capacity, and the facility has been expanded three times to meet demand. At the present time, the school enrolls 1,300 students and operates at approximately 95% of capacity.

Coral Springs Charter School in Coral Springs, Florida started in 1999. The school reached its capacity of 1,600 students by its second year and continues to have a waiting list of nearly 100% of capacity.

Keys Gate Charter School in Homestead opened with 1,150 students and reached capacity its first year of operation. At the present time, the school has a waiting list of over 1,000 students.

Bay Haven Charter School in Panama City, Florida, opened in 2002, and grew from temporary space and 800 students to permanent space and 1,050 students, with nearly 700 on its waiting list.

Renaissance Elementary Charter School in Miami’s Doral opened in 1999 as a “school in the workplace.” The school reached its 500-student capacity its first year of operation, and has had a waiting list of approximately 250 every year since.

Hollywood Academy of Arts and Science opened in Hollywood, Florida, in 2004 with 600 students in its first year. By its second year, it had reached its capacity of 650 students, and now has a waiting list of 118.

Downtown Miami Charter School opened in 2003 and reached its capacity of 650 students by the second year of operation. The school had 75 on its waiting list.

Aventura Charter Elementary School opened in Aventura in 2003 and reached capacity of 600 in its first year. At the present time there are nearly 1,000 students on the waiting list.

Parkway Academy in Miramar reached its capacity of 500 students in its first year of operation.

It should be noted that waiting lists tend to reflect more students for entry grades, and while there can be no assurances that any results achieved in Lee County or any of these other communities can be reproduced in Brevard County, similar circumstances existing among these communities influenced the marketing plan developed for Patriot Charter School.

Of course, there are instances in which a charter school has not been as successful. North Lauderdale Academy of Excellence was opened as a stand-alone high school (as opposed to a high school to which feeder charter school students matriculate). That school was operated by CSUSA for five years, but student test scores did not improve to the level that CSUSA would expect during its operations of the school from students who had completed elementary school in one of its facilities. In comparison, a CSUSA operated elementary school located next door is one of the highest performing charter schools in the district, receiving an A on the state’s assessment test. CSUSA has also found that succeeding to schools previously operated by other private operators may require assuming performance models and personnel inconsistent with the CSUSA model described herein. In fact, unpaid management fees or unpaid reimbursements with respect to three Texas schools in which CSUSA took over an exiting operation led to litigation with respect to those schools. In addition, the Texas legislative scheme is not consistent with CSUSA’s model. Subsequent to the CSUSA take over of the Texas schools, Texas law changed prohibiting management companies from loaning funds to charter schools. CSUSA’s model also stresses the importance of being involved in the design and construction of facilities. In one instance CSUSA was forced to terminate a contract in an older facility that they leased which CSUSA determined was a safety hazard. In that case, all parents and teachers were accommodated, and the sponsoring school district supported CSUSA’s actions.

Marketing Patriot Charter School. This marketing and enrollment process for the Patriot Charter School Project, as outlined below, is an integral part of achieving the enrollment numbers represented in the budgets set forth herein for the school. Aspects of CSUSA’s marketing plan for Patriot Charter School, based in great part on the experience in Fort Myers and other Florida communities, include:
• **Involvement of the Community.** The City’s involvement as an active participant in marketing the school, including the use of City communication resources (such as including flyers in utility billings), and the use of City facilities for planned parent enrollment sessions, is one of the most important recruiting elements available for Patriot Charter School. In fact, this feature is a benefit which was not available in Fort Myers.

• **Recognizing the importance of marketing during construction.** Parents are more likely to express an interest in a facility when there is tangible and visible evidence of site location and access. For example, site construction photos are posted on the web site for Cape Coral Charter School, to emphasize the physical aspect of the new school, and to associate the parents with the development process. CSUSA routinely experiences an increase in interest from parents after facility construction is commenced.

• **Hiring of Staff.** Potential employees are also influenced during construction. And hiring of employees during construction (particularly a school principal) permits active involvement of teachers and administrators in the recruiting process. In the survey of parents conducted in Palm Bay, the most important positive influence on parents with children in Brevard County Schools was supportive teachers and staff. On the other hand, overcrowding was the most significant negative influence. CSUSA recognizes that adherence to the maxim of accentuating the positive (bringing qualified school staff into the recruiting program), and eliminating the negative (emphasizing that enrollment will be limited by the terms of the Charter itself) is at the heart of a successful recruiting program.

• **Making applications available online.** CSUSA has found that use of the internet permits parents of prospective students who may not be familiar with how charter schools work, and may be disinclined to make additional inquiries because they do not know who or what to ask, to review information, make inquiries and complete applications. For example, at the website for Six-Mile Academy Charter School in Fort Myers, parents have the ability to review the “mission and focus” of the school. They can also get information on curriculum, download current newsletters, and complete a school application. At the site for Cape Coral Charter School in Fort Myers, parents can also review letters from the school principal, and get information about school uniforms and transportation. Parents also have password-protected access to student information. In general, CSUSA has learned that website access is very important for parents who may just be reluctant to ask.

**Marketing Plan.** Understanding that charter schools are indeed “schools of choice” CSUSA recognizes the importance of marketing and recruiting to parents and students, in particular in the context of start-up charter schools. In general, the extent or degree of marketing efforts depends primarily on the targeted population. In order to promote a neighborhood school environment, the marketing strategy starts in the immediate area and then broadens to the mass market.

Marketing to residents of the City of Palm Bay will be the primary focus. In order to ensure strong demand and create a “wait-list” application pool, marketing will occur to all appropriate populations (geographic, ethnic, age). Utilizing CSUSA’s SIS system, applicants eligible to receive an admission preference based upon residency status or siblings will be tracked and ordered appropriately. This method will provide an opportunity for all students applying to be admitted, while ensuring an orderly management of achieving enrollment targets across all grade levels.

CSUSA will conduct a three-phase marketing campaign stressing (i) identification, (ii) awareness, and (iii) recruitment. The efforts of this campaign should achieve enrollment capacity with a low student-to-staff ratio.

First, CSUSA will identify eligible students as identified in the school’s charter, and will identify the target recruitment area based on a detailed and thorough analysis of the area and compliance with the school’s charter. Some of the indicators to identify a target recruitment area include:

- Community demographics
- Local school capacity
- Local school academic performance
• Perform Scientific Surveys for Interest Areas (e.g. programs, transportation, etc).

As part of the awareness phase, CSUSA will conduct a broad marketing campaign throughout the targeted areas that educates and publicizes to the community information about the charter school movement and more specifically the opportunities and benefits available at Patriot Charter School. Publications and media clips will be produced bilingually as needed to match the demographics of the community. These efforts will include, but not be limited to:

• Local print media
• Development of a school website accessible via the internet, with email options
• Distribution of brochures and pamphlets about the school and the programs offered
• Participation in “town hall” type meetings with local organizations
• Direct mailings to the community
• Local radio and television public service announcements
• Announcements in Human Resources Newsletters for area businesses
• Distribution of brochures and pamphlets about the school and the programs offered

During the recruiting phase, enrollment will take place until the school is fully enrolled and staffed. At this point of the marketing campaign and continuing with the above efforts, a more extensive hands-on marketing strategy will be implemented. These efforts will include, but will not be limited to:

• Continued distribution of brochures and pamphlets about the school and the programs offered
• Presentations/Information sessions to the local community, neighborhood clubs, and other organizations
• Display signs and posters throughout the immediate and surrounding communities
• Open Houses and Information Nights at the facility
• Information sessions and meetings at area schools classified as “overcrowded”
• Announcements at the local college and university career centers
• University and college print media
• Attendance at local career fairs
• Presentations/Information sessions for employees at local businesses
• Education fairs for employees
• Internal company email advertisements through local businesses
• Notifications and information through municipal opportunities (e.g. – notice in utility bills, etc.)

Project Enrollment. CSUSA has identified several factors anticipated to positively affect the likelihood of the Project’s achieving the enrollment targeted in its marketing plan:

1. The City is actively involved in the Project as the tenant, bond issuer, and holder of the charter. The City anticipates expending significant capital resources in preparing the Project Site for the construction of Project facilities. In addition, property adjacent to the Project Site owned by the City will be developed for park and recreation purposes. The City is also incurring significant expense in off-site development with respect to access and utilities, based in large part on the City’s anticipated population growth, and anticipates making additional capital contributions with respect to the Project facilities.

2. The City’s strategic plan and desire of its elected officials is to continue an active voluntary annexation program, with respect to to-be-built residential areas, primarily near the new school site. That plan is reflected, for example, by the fact that the City population has grown by 6% in the past year, compared to a 2% growth rate county-wide. Such program, as well as the growth patterns of Brevard County, is expected to positively influence the pool of available students.

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3. The School District’s building plans currently anticipate building only one new K-5 school within the city limits of Palm Bay (presently under construction) during the next five years, due in part to limited resources, extraordinary growth and rising land values throughout the District.

4. The Palm Bay community has demonstrated an interest in the “schools of choice” approach. An independent, third-party polling firm that manages city growth issues state-wide was hired by CSUSA to survey Palm Bay parents with children in the age range of a possible school, to determine their interest in the planned charter school. The survey concluded:

- The City residents have a positive impression of charter schools, in general.
- Small class size is the single most important positive fact influencing that impression, while inconsistent funding was the single most important negative fact.
- The average household has 2.05 children, with about 50% of students enrolled in grades 2-7.
- Most parents are generally pleased with public schools, with supportive teachers and staff being the most important positive influence. Overcrowding was the most significant negative influence.
- In light of overcrowding, over 70% of the respondents would consider sending their children to a charter school, with a majority of the respondents saying public transportation would not be needed. In the City of Palm Bay, that 70% number represented a pool of approximately 13,000 potential students.

5. In addition to the demands arising as the result of new students entering the system, current capacity at local public schools is being impacted by Constitutionally-mandated, voter-approved class size reductions. Brevard County School District averages are below the State three-year targets of 18 students per teacher in Pre-K- grade 3, 22 in grades 4-8, and 25 in grades 9-12. As of November 2004, the class size averages for the District were as follows: Pre-K-grade 3 at 17.67 students, grades 4-8 at 20.23 students, and grades 9-12 at 23.67 students. However, those ratios were achieved in part through the use of temporary or portable facilities. Westside Elementary, which is located approximately 4 miles from the Project Site, for example, has seventeen portable classroom units and is expected to expand to over thirty (30) portable classroom units in the 2006-2007 school year. In addition, the proposed use of more than one teacher per classroom to satisfy ratio requirements is expected to precipitate a court challenge.

6. City and District residents seem to be inclined to attend a new municipal charter school with a charter that limits class and school size. The City has indicated that charter schools represent an opportunity to control class overcrowding, while maintaining a traditional school physical plant.

7. A charter school organized by the District’s largest municipality and the State’s largest charter school operator provides credibility and confidence, unlike the start-up of a privately owned charter school which may not have significant experience in charter school operations, particularly in Florida.

8. With nearly nine months before the school opens, CSUSA and the City have adequate time to plan, market, sell and enroll the indicated number of students for the first enrollment year. This lead time also allows CSUSA to attract and recruit staffing and management personnel early, integrating them into the marketing process so that parents will be able to meet their school leaders before the school opens. The lead time is also aligned with the anticipated schedule for the design, planning, permitting and construction of the Project physical plant. In fact, marketing material has already been produced and enrollment activities have begun.

9. The school facility is planned as an attractive amenity to the surrounding area, and the construction project will provide parents ample confidence that the Project will be delivered on time.
Patriot Charter School pre-enrollment commenced in December 2005. As of March 31, 2006, Patriot Charter School had received 628 applications for enrollment.

**School Mission.** Patriot Charter School’s core philosophy will be the belief that all children can learn, function as responsible citizens, and actualize their potential as productive members of the workforce. The mission is to build a rigorous and productive learning environment where students can reach their academic potential and where teachers set clear educational goals that demonstrate learning is central. The mission also includes the belief that Patriot Charter School is an inclusive community where all stakeholders share its goals and expectations for learning. The school’s mission stems from the core philosophy, and values the relationship between teacher and student and the role the family plays in a child’s academic and social development.

CSUSA intends to accomplish its mission through the programs and policies outlined below.

**Student Achievement.** On January 8, 2002, President Bush signed into law the No Child Left Behind (“NCLB”) Act. This legislation mandates that schools that fail to meet adequate yearly progress must take a series of steps to remedy their poor academic performance. These steps may include: providing supplemental services to its students; offering school choice options to its students; spending more Title I funds on professional development for teachers; reopening the school as a charter school; and contracting with a private management company. Additionally, all newly hired teachers must be highly qualified -- a new teacher must hold at least a bachelor’s degree and must demonstrate knowledge of the subjects he or she is teaching by passing a rigorous state test. Patriot Charter School proposes to meet Florida’s high standards of student achievement by aligning its curriculum with the Sunshine State Standards and the educational requirements of the No Child Left Behind Act, while providing parents the option of choosing a municipally-based school, where they and their elected officials can provide a greater influence over the local aspects of the school. The combination of educational programs designed to meet high academic standards, coupled with a high degree of local parental choice and community involvement through this municipal model provides for the standards, flexibility and diversity envisaged by the Charter School Statute.

Patriot Charter School’s educational philosophy is rooted in Robert J. Marzano’s *What Works in Schools.* Meeting high standards at the school means that “every child can learn” given appropriate learning tools, measurable progress supported by consistent data, and a variety of teaching strategies that match a student’s learning style.

Before students enroll in Patriot Charter School, parents and students will be provided with a thorough understanding of the curriculum, expectations, and requirements of the school. CSUSA delivers this information through a variety of ways: open houses, published information, brochures, on-line applications and, website question/answer modules. After enrollment and the start of school, parents continue to have flexibility to monitor their child’s progress on-line and/or through parent conferences. Because the school follows a continuous improvement model, parents have real time access to their child’s progress. This online access informs them, via a controlled access password, about their child’s class work, test grades, and weekly progress on a unit of the Sunshine State Standards. Parents have significant information provided to them to schedule a conference, ask questions, or just be aware of their child’s academic achievement. They can use this information along with their contractual agreement to participate in school programs and events. Parents have the flexibility to choose among the diverse educational opportunities within the state’s public school system throughout the school year.

**Aligning responsibility with accountability.** Patriot Charter School will provide a top-rate academic program in a facility that will not encumber Brevard School District’s construction funds. This is both a high academic and financially efficient model that is responsible to the municipal citizens and accountable for financial efficiency by providing an educational setting by the use of regularly allotted FTE dollars.

The School’s governing board, the Municipal Charter City, has local control over the budget and approval of expenditures, and it is ultimately responsible for the results produced in the school based upon its charter. The City will delegate certain day-to-day responsibilities to Charter Schools USA, who will be responsible for controlling expenditures according to the budget and for producing academic results according to the City’s directives; thus ensuring that accountability and responsibility continue to be monitored in this chain of command.
Patriot Charter School will have a clear budget and a Business Administrator to monitor financial expenditures at the school, consistent with the budget. The Business Administrator will report to CSUSA’s team of accountants who will review routine expenditures and purchase orders to ensure financial compliance of procedures. The City will receive and review monthly financial statements and academic progress reports to ensure that expenditures and academic results are consistent with the goals of the municipality’s citizens and the charter.

**Providing Parental Information.** At the beginning of each year The McGraw Hill Comprehensive Test of Basic Skills (“CTBS”) is given to all students in grades 1 through 8. This test is called a pretest because it assesses the students’ skill level in reading and math in comparison with the amount of learning a student acquires by the end of the school year. Parents receive the results of the pretest during the first quarter. The reading and math skills are separated and aligned with FCAT criteria to further identify skills gaps and/or enrichment needs. The CTBS is also administered as a post test at the end of the school year. Comparative analysis of the student scaled score from pre and post test shows the parent whether the child’s gains are equivalent to a year’s worth of learning. The CTBS matches the grade level expectations for individual grade levels. This allows for proper measurement of yearly student learning gains for every student attending the Patriot Charter School. Kindergarten students are assessed initially by the SRUSS that includes ESI – K and DIBELS. These assessments (Visual – Motor/Adaptive, Language & Cognition, and Gross Motor; Letter Names and Initial Sounds) provide the school with baseline data and information to develop the AIP if appropriate. Academic growth is monitored throughout the school year by assessing letter names and sounds, and concepts of print. Teachers utilize retelling rubrics, running records, observation checklists, and program assessments to generate information on student learning gains. The kindergarten students only take the CTBS as a post test at the end of the school year to determine their median national percentile rank and their overall skill performance in reading, language arts, and mathematics.

Patriot Charter School will also utilize a Narrative Report Card (“NRC”). The NRC is the main vehicle for reporting a student’s academic achievement and documenting a year’s worth of learning. It gives parents a comprehensive overview of a student’s current skill level and a measure of the student’s progress toward attaining a year’s worth of learning. The NRC, CSUSA proprietary program, identifies and evaluates a student’s mastery of specific grade level expectations as they align with the Sunshine State Standards. The NRC shows a grade in each content area indicating the level of student mastery, and gives detailed academic information about a student’s mastery of the Sunshine State Standards within that content area broken down by Florida Sunshine State Standard by strand. By aligning state specific standards with each content area, teachers, parents, and students can identify the specific areas a student has mastered as well as those areas in which a student needs improvement and support.

In addition, Patriot Charter School will utilize the FCAT to demonstrate learning gains. The Florida Comprehensive Assessment Test (FCAT) is the foundation of the statewide assessment and accountability program. The FCAT program includes grades 3-10 assessments in reading, science and mathematics, and grades 4, 8, and 10 assessments in writing. Student achievement data is used to report educational status and annual progress for individual students, schools, districts, and the state. The FCAT measures student performance on selected benchmarks in reading, science, and mathematics, as defined by the Sunshine State Standards. The Standards articulate challenging content that Florida students are expected to know and be able to do. The administration of the FCAT is “summative” in nature. The assessment results provide information on annual learning gains for students beginning at fourth grade. The results are distributed to the school and the parents and are the basis for the A+ Plan School Grades.

**Improve student learning and academic achievement.** Patriot Charter School will implement an educational model based on Robert J. Marzano’s *What Works in Schools* as its basic approach to improving student learning and academic achievement. Marzano’s synthesizes many years of educational research. Marzano states, “My premise is that if we follow the guidance offered from 35 years of research, we can enter an era of unprecedented effectiveness for the public practice of education – one in which the vast majority of schools can be highly effective in promoting student learning.”

*What Works in Schools* begins with the identification and implementation of a Guaranteed and Viable Curriculum. The essential curriculum is aligned to specific state standards and grade-level expectations and is the framework of what is taught at each grade level. Timely and regular feedback based upon formative assessments of
student performance on grade level expectations is given to establish specific goals for individual students and to modify instruction to meet individual student learning needs (2003).

**Increase learning opportunities.** Teachers at Patriot Charter School will use formative assessment as a diagnostic tool to address individual student needs, especially those of low-performing students. By incorporating a student’s academic record; results of pre/post testing and FCAT results of the previous year, and formative assessment, teachers will create Personalized Learning Plans (PLP) for each student. A PLP is a planned path of growth, designed for each student that ensures the individual needs of each student are met. Personalized Learning Plans will be created for each student at the beginning of the school year and will be modified throughout the year as student strengths and weaknesses are identified.

**Create new professional opportunities for teachers.** Patriot Charter School recognizes that each school’s learning environment is unique and must be supported in its quest for increased student achievement. Every school administrator and faculty member at Patriot Charter School will be trained in the *What Works in Schools* research. They will be trained in data collection systems to provide continuous assessment and progress toward school goals. Student and school performance data are collected regularly throughout the year and used by school administrators and faculty members to monitor progress in achieving the school’s goals. Administrators and faculty evaluate, create, and revise instructional goals based on the instructional calendar and progress made.

At the end of each school year, the administration and faculty are surveyed, the results of which are analyzed to facilitate the school improvement process and build ownership of the learning program among the stakeholders.

**Encourage innovative learning methods.** Encouraging the use of innovative learning methods is a vital part of providing an educational program that truly meets the needs of all children. All learners have both areas of strength and areas of weakness (multiple intelligences) or ways of receiving, expressing, and applying their knowledge. Effective teachers understand the need to differentiate instruction for all students in order for learning to occur. Understanding a student’s area of intelligence, learning style, and/or learning preference is one way teachers can positively impact a student’s ability to learn.

The role of the teacher is to observe what their students are doing, determine why they are doing it that way, and provide them the right kind and amount of information and feedback so they can solidify their learning and perform what they have been taught. Students must be able to reconcile what is taught in the classroom if they anticipate applying their learning in other situations.

**Require the measurement of learning outcomes.** Student learning outcomes will be measured using multiple standardized assessments taken at different intervals throughout the year. Benchmarks and student academic achievement will be measured by three testing formats: 1) a pre and post test using the Comprehensive Test of Basic Skills (CTBS) as described in Section B item 3 of this document; 2) the CSUSA FCAT Benchmarking Exam, developed by Charter Schools USA, and 3) FCAT scores. The CTBS pre test and the first administration of the CSUSA FCAT Benchmarking Exam, will identify initial student benchmarks and areas for student growth. Continual monitoring of student achievement data will be provided by administering the CSUSA FCAT Benchmarking Exam at least three times during the school year. The CSUSA FCAT Benchmarking Exam is administered after 6-8 weeks of instruction and provides teachers with an updated evaluation of student learning. Finally, assessment at the end of the school year, assessed through the State FCAT and the CTBS post test, will also determine student academic growth.

Once initial assessments are made a Personal Learning Plan (PLP) is developed for each student. A PLP contains assessment data on each student’s skill levels when he/she enrolls in the school. A plan for growth, and data showing periodic reassessment and skill development is also a part of the PLP. Based upon the initial benchmark data listed above, PLPs will be created for each student during the first quarter. The PLP is modified at least three times throughout the year after benchmarking tests are administered and student data is analyzed. The PLP requires the measurement of learning outcomes to determine if students have attained the prescribed goals. Additional goals for students are set in the PLP as new areas of skill gaps and mastery are identified.
The Teacher eGrade Book is also an integral part of student data measurement. As the students complete assignments, their grades are logged into the eGrade book and correlated to the state standard of that assignment. The correlation of grades to state standards creates a running record of the level of mastery each student has achieved on the related standards and benchmarks.

**Create innovative measurement tools.** Through the collection of data on each individual student and the inclusion of parents in the overall academic endeavor of their child, we believe that each student will recognize their individual potential and strive to meet and exceed the academic goals they have participated in setting for themselves. Although testing and evaluation may be stressful for some students, testing is a normal and expected way of assessing what students have learned. The purpose of collecting individual student data is to provide an independent insight into each child’s progress, as well as that of each school. This information is essential in order to continually analyze, evaluate and refine what is being taught in every classroom. The analysis of this data is what drives classroom instruction and student progress. The analyzing and reporting of this data is how each school makes sure every student is achieving academic growth and that no child is left behind.

**Provide rigorous competition within the public school district** While Patriot Charter School prefers to see traditional public schools as partners in improving public education, the school’s curriculum approach and learning tools are innovative and may serve as models for other schools to emulate. These models may help stimulate educational improvement. Patriot Charter School believes that our ability to move all students to higher levels of performance and proficiency provides a climate for rigorous competition within the school district. Patriot Charter School’s curriculum is an innovative learning approach that can serve as a model for high academic achievement for traditional public schools. The school’s proprietary data management system (SIS) is an example of differentiated student assessment and data analysis required under the No Child Left Behind Act. The Narrative Report Card coupled with active parental involvement as demonstrated in online parent communication/monitoring, a capability of SIS, and the required parent-volunteer hours serve as examples of effective ways to build community support within a school. PMBC will also work with Brevard County Public Schools, especially those schools in Palm Bay, to continue to refine and utilize Best Practices that promote high academic achievement.

**Expand the capacity of the public school system**. The City of Palm Bay has a population of 98,000 residents and currently is experiencing rapid growth. Palm Bay has a slightly higher than state average of persons under 18 years of age (state average 22.8%, Palm Bay average 29%). In light of Palm Bay’s population and continued growth, Patriot Charter School will provide the district with additional student stations to help relieve the capacity concerns and assist the district in its compliance with Florida’s reduced classroom size. In addition, the creation of Patriot Charter School will provide a community school for the residents of Palm Bay. Patriot Charter School will have a maximum enrollment of 1600 students in grades K through 8 enrolling students from the City of Palm Bay.

In addition, pursuant to 2004 charter school legislation, charter schools can also “mitigate the educational impact created by the development of new residential dwelling units” F.S. 1002.33(2)(c)4. The creation of Patriot Charter School will also meet this legislative qualification for a charter school. Palm Bay’s Planning Division (2004) reported in the “2003 Population and Building Report” the number of building permits issued in 2003 increased 54% over 2002. Population growth occurred at the highest level within the past five years with an estimated average of 317 persons per month moving into the City in 2003. Current reports indicate that from 2004 to the present, Palm Bay’s population increased 7%, the number of households approximately 18% and planned housing units expanded almost 11%.

**Target student population** Patriot Charter School will serve a maximum of 1600 students in grades K through 8. In accordance with federal and state anti-discrimination laws and in accordance with the Florida Educational Equity Act, Section 1000.05(2)(a), the school will not discriminate on the basis of race, gender, ethnicity, national or ethnic origin, or disability in the admission of students.
The school’s population shall consist of the following, in line with Florida law:

- The school shall be open to any age/grade appropriate student residing within the school district. In compliance with Section 504 of the Rehabilitation Act of 1973, the Individuals with Disabilities in Education Act, and the Americans with Disabilities Act all students regardless of disability will have equal access to the school. In accordance with state law, where all necessary accommodations that do not impose an “undue hardship” will be made by the school to include students with disabilities.

- Students served in Exceptional Student Education (ESE) or English for Speakers of Other Languages (ESOL) programs shall have equitable opportunity for enrollment selection.

- Students may withdraw from the School at any time and enroll in another public school in accordance with District policy.

- The School will enroll any eligible student who submits a timely application, unless the number of applications exceeds the capacity of the program, class grade level, or building at which time a lottery shall be conducted.

Patriot Charter School will give enrollment preference to the following student populations: students residing within the City of Palm Bay, students who are siblings of a student enrolled in the charter school, and students who are the children of an employee of the charter school.

**Goals and Objectives.** Patriot Charter School will operate with specific goals and objectives:

1. 80% of all students will either meet high standards or demonstrate annual learning gains in reading on the FCAT by the end of year 1.

2. 75% of all students will either meet high standards or demonstrate annual learning gains on the FCAT in mathematics by the end of year 1.

3. Patriot Charter School will make adequate progress with the lowest 25% in reading as defined by the Florida A+ Plan.

4. Patriot Charter School will improve writing performance by 1% or maintain a minimum of 90% proficiency as required by *No Child Left Behind* (NCLB). Proficiency is defined as receiving a 3.5 or higher on the FCAT Writes.

5. The goal of NCLB is to have 100 percent of students be proficient by 2013-2014. Florida has set intermediate goals for reading and mathematics for all schools and all students across grade levels in order to reach 100 percent proficiency by the end of the 2013-14 academic year. Patriot Charter School will make every effort to meet Adequate Yearly Progress (AYP) or meet safe harbor criteria as defined by *No Child Left Behind*. For the school year 2006 – 2006 AYP criteria is defined as 53% scoring at or above a level 3 in mathematics on the FCAT and 48% scoring at or above a level 3 in reading on the FCAT.

6. FCAT Science measures achievement in science for Florida students in Grades 5, 8, and 10 by assessing student progress on benchmarks identified in the Sunshine State Standards. Any student below the mean scale score of 300 in science on the FCAT will receive remedial instruction.

**Parental involvement.** Active parental participation will be required at Patriot Charter School. Parent participation is a key to the success of the overall program and will be solicited for the development of school goals and objectives. Parents must sign a “contract” agreeing to volunteer a minimum of twenty hours per year. When two or more children from the same family are enrolled, parents shall be required to volunteer a total of thirty hours per year.
A School Advisory Board (SAB) will be established at the beginning of each school year, which shall be comprised of parents of currently enrolled students, administrators, and teachers. SAB will be established to facilitate achievement of the mission of the school and to ensure that the school meets the needs of the children and community. SAB will act as a link between school administration, teachers, and the school community to discuss school-based issues. SAB meetings will be held regularly and parents will be given notification and encouraged to attend meetings. The SAB will provide regular reports to the Municipal Charter School City.
Appendix E

PATRIOT CHARTER SCHOOL

Patriot Charter School, LLC, is a limited liability company formed under the laws of the State of Florida. The sole member of Patriot Charter School is The Lee Charter Foundation, Inc., a nonprofit corporation formed under the laws of the State of Florida and an organization described in Section 501(c)(3) of the Code. Patriot Charter School has been organized as a special purpose entity for the purpose of owning and operating the Project. The Lee Charter Foundation is not responsible for the payment or performance of any obligations of Patriot Charter School arising under the Lease, the Management Agreement, the Loan Agreement or any document executed in connection therewith.

Lee Charter Foundation was established in 2001 and currently leases and operates four charter school properties in the Fort Myers, Florida area: Gateway Charter School, Gateway Charter High School, Cape Coral Charter School, and Six Mile Charter Academy.

The Gateway Charter School consists of a two-story building containing approximately 60,800 sq. ft. on a 5.78-acre site. Lee Charter Foundation holds a five year charter agreement with the Lee County District School Board to operate Gateway Charter School for grades K-8 with up to 1,600 students that was granted in August 2002 and expires in June 2008. The property has its own playground, library, cafeteria, and gym facilities.

At charter application, Lee Charter Foundation had indications of interest from approximately 400 potential students in grades K-8. The Property had an original design capacity of 1,000 students, and opened for the 2003-04 school year with an enrollment of approximately 975 students in grades K-8. In response to additional demand, the school expanded to its present capacity of 1,600 students. The School has a faculty that includes a principal, 65 teachers, and 21 special area teachers, with an overall student/teacher ratio of 19:1. The school had a waiting list of approximately 314 students for the 2005/06 school year.

The Gateway Charter High School consists of a three-story building containing approximately 104,000 sq. ft. on a 12-acre site with a design capacity of 1,600 students in grades 9-12. The Property has its own track, soccer field, outside dining area, two computer labs, music room with stage, library, cafeteria, gym with motorized bleachers and full-size basketball court.

Lee Charter Foundation, Inc. holds a five-year (5) charter agreement with the School Board of Lee County to operate Gateway Charter High School for grades 9-12 with up to 1,600 students. The Charter expires in June 2009. The School has a faculty that includes a principal, 34 teachers, and 12 special area teachers, with an overall student/teacher ratio of 12.9:1.

The School currently enrolls approximately 600 students in grades 9-11. The Lee Charter Foundation, Inc. anticipated a slower ramp up to capacity for Gateway Charter High School, because (i) parents and students are less likely to transfer to a new school after beginning high school, and (ii) it is anticipated that students from the other primary “feeder schools” in the Fort Myers area will matriculate to Gateway Charter High School.

The Cape Coral Charter School (CCCS) is operated by The Lee Charter Foundation, Inc. pursuant to a five-year (5) charter agreement. CCCS will operate in North Fort Myers for grades K-8 with up to 1,600 students. The charter expires in July 2008. Current enrollment is approximately 324 students in grades K-7. Until construction at the new CCCS campus is concluded, the School will relocate from its temporary home at Six Mile Charter Academy, which is approximately 10 miles from CCCS’s permanent campus. The School has a faculty that includes a principal, 15 teachers, and 5 special area teachers, with an overall student/teacher ratio of 16:1.

At charter application, Lee Charter Foundation received approximately 600 applications for grades K-8 during the first pre-opening months. The Six-Mile Academy Charter School property consists of a two-story building containing approximately 77,360 sq. ft. on a 12-acre site with a design capacity of 1,340 students in grades K-8. The Property has traditional classrooms, as well as specialty rooms, a computer lab and a multipurpose room.

Each of the Lee Charter Foundation schools is managed by a separate limited liability company pursuant to operating agreements executed by Lee Charter Foundation. Charter Schools USA is the sole member of each of those companies.
Governing Board. The Board of Directors of Lee Charter Foundation, which conducts and manages the affairs of the corporation, consists of up to six members, each of whom serves until a successor is elected or appointed. The directors of the corporation have no private or proprietary interest in Lee Charter Foundation. The current members of the Board of Directors, their occupations and years of service are set forth below:

Members of The Lee Charter Foundation, Inc. Governing Board

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Kenneth Haiko</td>
<td>Board of Supervisors, Florida Space City</td>
</tr>
<tr>
<td>Vice Chair</td>
<td>Shane Strum</td>
<td>Dir. of New Bus. Dev. &amp; Gov’t Relations, Blue Frog Solutions, Inc.</td>
</tr>
<tr>
<td>Treasurer</td>
<td>Dr. Michele Pelletier</td>
<td>Doctor of Chiropractic, Pres. Pelletiere Family Chiropractic</td>
</tr>
<tr>
<td>Secretary</td>
<td>Dennis P. Clark,</td>
<td>Market President, Bank United</td>
</tr>
</tbody>
</table>

Budgetary Process and Information The Lee Charter Foundation’s fiscal year coincides with the School Board’s fiscal year. Each year the Governing Board must submit a separate budget for each charter school in a form acceptable to the School Board. In addition, The Lee Charter Foundation, Inc. is required to submit to the school board quarterly financial reports. Unaudited annual financial reports are required to be filed by July 31st and audited financial reports are required to be filed by September 15th of each year.

Project Budget

The following table, provided by the Manager, sets forth the projected revenues and expenses for the Project for fiscal year 2006/07 through fiscal year 2012/13. Projections of revenues and operating expense are based on assumptions deemed reasonable in the circumstances in which they have been made, but such assumptions have not been independently verified or reviewed. Actual results realized by Patriot Charter School will vary from any projections, and such variance may be material. An independent auditor engaged by CSUSA has prepared a Projected Financial Statement with respect to the Project for the period from inception to the Fiscal Year ending in 2007, and for the Fiscal Years ending in 2008 and 2009, respectively. A copy of such Projected Financial Statement is available for the offering period for the Bonds from the Underwriter.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td>1,050</td>
<td>1,350</td>
<td>1,572</td>
<td>1,572</td>
<td>1,572</td>
<td>1,572</td>
<td>1,572</td>
</tr>
<tr>
<td>Forecasted FTE payment per Student</td>
<td>$5,338</td>
<td>$5,501</td>
<td>$5,666</td>
<td>$5,836</td>
<td>$6,011</td>
<td>$6,191</td>
<td>$6,377</td>
</tr>
</tbody>
</table>

REVENUES:  
1 Transportation Income is approximately $330 per transported student per year  
2 All Revenues, other than Before/Aftercare and Food Service Revenue, will be paid by the City to Patriot Charter School through payments under the Lease and the Patriot Charter School Management Agreement  
3 Grant funds are federal funds made available through a state-administered grant program for start up schools  
4 Includes earnings on the Debt Service Reserve Fund, the Repair and Replacement Fund and unrestricted fund balances  
5 Pursuant to the Lease, the City is anticipated to make a $100,000 contribution in 2006 with respect to the costs of project infrastructure improvements.  
6 Payment of Management Fees, Property Management Fees and Developer Fee Installments is subordinate to payment of Debt Service Requirements of the Bonds. Unpaid Management Fees and Property Management Fees will not be deferred, but will be forgiven  
7 Fund Balance includes the Repair and Replacement Fund and unrestricted fund balances. The Debt Service Reserve Fund is not included in Fund Balance Total

<table>
<thead>
<tr>
<th>Total Projected Revenue</th>
<th>7,274,327</th>
<th>9,213,750</th>
<th>10,559,699</th>
<th>10,868,822</th>
<th>11,166,441</th>
<th>11,510,081</th>
<th>11,858,615</th>
</tr>
</thead>
</table>

EXPENSES:  
Instruction Expense | 3,294,560 | 3,913,058 | 4,502,882 | 4,679,615 | 4,820,003 | 4,964,603 | 5,113,541 |
Administrative Expenses | 716,695 | 821,211 | 875,684 | 901,954 | 929,013 | 929,012 | 929,011 |
Professional Services | 82,600 | 30,564 | 31,481 | 32,425 | 33,398 | 34,000 | 34,400 |
District Fee | 280,161 | 371,020 | 445,102 | 458,455 | 472,209 | 486,375 | 500,966 |
Vendor Services | 576,382 | 718,068 | 835,432 | 842,485 | 849,748 | 875,240 | 901,498 |
Facility Expense | 209,000 | 215,270 | 221,782 | 228,380 | 235,231 | 242,288 | 249,557 |
F&E Expense | 285,000 | 425,000 | 425,000 | 390,000 | 250,000 | 250,000 | 250,000 |
Repair and Replacement Fund | 175,000 | 325,000 | 0 | 0 | 0 | 0 | 0 |
Other Operating Expenses | 111,144 | 134,457 | 155,357 | 157,365 | 159,434 | 164,217 | 169,144 |
Total Expenses | 5,730,542 | 6,952,085 | 7,491,803 | 7,689,735 | 7,748,063 | 7,945,133 | 8,148,117 |

City Contribution | 100,000 |
Capitalized Interest | 1,821,408 | 347,392 |
Net Income, City Contribution and Capitalized Interest Before Debt Service, Management Fees and Developer Fee Installments | 3,465,193 | 2,609,057 | 3,067,896 | 3,179,087 | 3,418,377 | 3,564,948 | 3,710,497 |
Debt Service | 1,921,408 | 1,484,380 | 1,704,350 | 1,704,712 | 1,707,775 | 1,708,306 | 1,703,781 |
Management Fees | 1,001,644 | 626,239 | 818,111 | 903,904 | 1,114,825 | 1,235,811 | 1,361,338 |
Property Management Fees | 175,000 | 175,000 | 200,000 | 225,000 | 250,000 | 275,000 | 300,000 |
Developer Fee Install Payments | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 |
Remaining Net Income | 192,141 | 148,438 | 170,435 | 170,471 | 170,778 | 170,831 | 170,378 |
Annual Debt Service Coverage Before Subordinated Management and Property Management Fees | 1.712 | 1.640 | 1.697 | 1.762 | 1.899 | 1.984 | 2.075 |
Annual Debt Service Coverage | 1.100 | 1.100 | 1.100 | 1.100 | 1.100 | 1.100 | 1.100 |
Fund Balance Total | 367,141 | 804,863 | 975,298 | 1,145,769 | 1,316,547 | 1,487,377 | 1,657,755 |
Appendix F

GENERAL INFORMATION REGARDING THE CITY OF PALM BAY, FLORIDA

The City of Palm Bay is located on the east Central Florida coast, midway between Jacksonville and Miami, in south Brevard County, adjacent to the Indian River Lagoon, which is part of the Intracoastal Waterway. The Kennedy Space Center is approximately 50 miles to the north and Disney World is approximately 65 miles to the west. The Melbourne International Airport is within minutes of the City, and the Orlando International Airport is 60 miles northwest of the City.

With approximately 79 square miles of territory and over 860 miles of local roads, Palm Bay is the largest incorporated area in Brevard County and the eighth largest incorporated area in the state on a geographic basis. Over 43,000 acres of land are committed to development with 84,000 platted lots.

Brevard County encompasses approximately 1,300 square miles along the Atlantic Ocean and is located in the middle of Florida’s East Coast. The County is 72 miles long north to south and is bordered on the north by Volusia County and on the south by Indian River County. The county extends about 20 miles inland from the Atlantic Ocean, with the St. Johns River forming its western boundary. The County is home of the Kennedy Space Center and the Space Shuttle Program. The Palm Bay-Melbourne-Titusville Metropolitan Statistical Area contains 15 municipalities, but the county has a large amount of unincorporated area representing approximately 40% of the population.

Major private employers in the County include United Space Alliance, Health First, Harris Corporation, Space Gateway Support, Wuestoff Health Systems, The Boeing Corporation, Northrop Grumman Corporation, Lockheed Martin Launch Operations, Intersil Corporation, and Parrish Medical Center.

The following information concerning Palm Bay, Florida has been derived from the statistical section of the City’s Comprehensive Annual Financial Report for its fiscal year ended September 30, 2004, as updated by the City, and is included only for purposes of supplying general information regarding the City:
### Property Tax Valuation, Levies and Collections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Taxable Assessed Valuation</th>
<th>Tax Rate in Mills</th>
<th>Total Taxes Levied</th>
<th>Current Tax Collections</th>
<th>Delinquent Tax Collections</th>
<th>Total Tax Collections</th>
<th>Ratio of Collections to Levy</th>
<th>Outstanding Delinquent Taxes</th>
<th>Ratio of Delinquent Taxes to Tax Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$2,933,580,034</td>
<td>6.990</td>
<td>$20,505,724</td>
<td>$19,841,978</td>
<td>$107,582</td>
<td>$19,949,560</td>
<td>98.8%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>2004</td>
<td>2,388,467,215</td>
<td>7.530</td>
<td>17,985,158</td>
<td>17,333,055</td>
<td>347,856</td>
<td>17,680,911</td>
<td>96.4%</td>
<td>$4,079</td>
<td>0.0%</td>
</tr>
<tr>
<td>2003</td>
<td>2,140,181,100</td>
<td>7.639</td>
<td>16,348,843</td>
<td>15,818,623</td>
<td>150,932</td>
<td>15,969,555</td>
<td>96.8%</td>
<td>104,894</td>
<td>0.6%</td>
</tr>
<tr>
<td>2002</td>
<td>2,018,400,118</td>
<td>7.656</td>
<td>15,453,477</td>
<td>14,735,939</td>
<td>165,067</td>
<td>14,901,006</td>
<td>95.4%</td>
<td>107,855</td>
<td>0.7%</td>
</tr>
<tr>
<td>2001</td>
<td>1,907,434,163</td>
<td>7.656</td>
<td>14,603,888</td>
<td>13,964,511</td>
<td>159,501</td>
<td>14,124,012</td>
<td>95.6%</td>
<td>86,312</td>
<td>0.6%</td>
</tr>
<tr>
<td>2000</td>
<td>1,827,260,105</td>
<td>7.174</td>
<td>10,325,764</td>
<td>9,654,075</td>
<td>31,758</td>
<td>9,985,833</td>
<td>96.3%</td>
<td>51,700</td>
<td>0.4%</td>
</tr>
<tr>
<td>1999</td>
<td>1,775,798,285</td>
<td>7.174</td>
<td>12,739,577</td>
<td>12,172,105</td>
<td>91,698</td>
<td>12,263,803</td>
<td>96.3%</td>
<td>66,960</td>
<td>0.5%</td>
</tr>
<tr>
<td>1998</td>
<td>1,783,936,791</td>
<td>7.174</td>
<td>12,797,964</td>
<td>12,225,176</td>
<td>457</td>
<td>12,225,633</td>
<td>95.5%</td>
<td>72,534</td>
<td>0.6%</td>
</tr>
<tr>
<td>1997</td>
<td>1,741,620,686</td>
<td>7.174</td>
<td>12,494,735</td>
<td>11,737,811</td>
<td>74,603</td>
<td>11,812,414</td>
<td>94.5%</td>
<td>82,719</td>
<td>0.7%</td>
</tr>
<tr>
<td>1996</td>
<td>1,730,974,055</td>
<td>5.632</td>
<td>9,749,538</td>
<td>9,236,848</td>
<td>134,005</td>
<td>9,370,853</td>
<td>96.1%</td>
<td>34,416</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: City of Palm Bay, Finance Department

### Schedule of Property Tax Rates and Tax Levies - Direct and Overlapping Governments

#### Tax Rate

(Per $1,000 of assessed valuation)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>City</th>
<th>County</th>
<th>Schools</th>
<th>Other</th>
<th>Total</th>
<th>City</th>
<th>County</th>
<th>Schools</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6.990</td>
<td>6.003</td>
<td>8.194</td>
<td>0.818</td>
<td>22.005</td>
<td>6.990</td>
<td>6.003</td>
<td>8.194</td>
<td>0.818</td>
<td>22.005</td>
</tr>
<tr>
<td>2004</td>
<td>7.530</td>
<td>6.434</td>
<td>8.405</td>
<td>0.850</td>
<td>23.219</td>
<td>7.530</td>
<td>6.434</td>
<td>8.405</td>
<td>0.850</td>
<td>23.219</td>
</tr>
<tr>
<td>2002</td>
<td>7.653</td>
<td>6.214</td>
<td>8.674</td>
<td>0.643</td>
<td>23.188</td>
<td>7.653</td>
<td>6.214</td>
<td>8.674</td>
<td>0.643</td>
<td>23.188</td>
</tr>
<tr>
<td>2001</td>
<td>7.656</td>
<td>5.503</td>
<td>8.908</td>
<td>0.663</td>
<td>22.730</td>
<td>7.656</td>
<td>5.503</td>
<td>8.908</td>
<td>0.663</td>
<td>22.730</td>
</tr>
<tr>
<td>1999</td>
<td>7.174</td>
<td>5.648</td>
<td>9.578</td>
<td>0.630</td>
<td>23.030</td>
<td>7.174</td>
<td>5.648</td>
<td>9.578</td>
<td>0.630</td>
<td>23.030</td>
</tr>
<tr>
<td>1998</td>
<td>7.174</td>
<td>5.703</td>
<td>9.458</td>
<td>0.634</td>
<td>22.969</td>
<td>7.174</td>
<td>5.703</td>
<td>9.458</td>
<td>0.634</td>
<td>22.969</td>
</tr>
</tbody>
</table>

Source: Brevard County Tax Collector
## Computation of Direct and Overlapping Bonded Debt-General Obligation Bonds

**September 30, 2004**

<table>
<thead>
<tr>
<th>Taxing District</th>
<th>Net Debt Outstanding</th>
<th>Percentage of Debt Applicable To the City&lt;sup&gt;(a)&lt;/sup&gt;</th>
<th>City’s Share Of Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brevard County</td>
<td>$75,712,038</td>
<td>10.87%</td>
<td>$8,229,489</td>
</tr>
</tbody>
</table>

### Notes:
- (a) Based on 2003 taxable assessed valuation.

### Source:
- City of Palm Bay, Finance Department
- Brevard County, Finance Department
Demographic Statistics (Population)

Last thirty-four years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Population</th>
<th>% Change During Period</th>
<th>County Population</th>
<th>During Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>93,709**</td>
<td>6%</td>
<td>530,678**</td>
<td>2%</td>
</tr>
<tr>
<td>2004</td>
<td>88,572</td>
<td>4%</td>
<td>521,422</td>
<td>3%</td>
</tr>
<tr>
<td>2003</td>
<td>84,994</td>
<td>3%</td>
<td>507,810</td>
<td>3%</td>
</tr>
<tr>
<td>2002</td>
<td>82,611</td>
<td>2%</td>
<td>494,102</td>
<td>2%</td>
</tr>
<tr>
<td>2001</td>
<td>80,685</td>
<td>2%</td>
<td>485,178</td>
<td>2%</td>
</tr>
<tr>
<td>2000</td>
<td>79,413*</td>
<td>4%</td>
<td>496,198*</td>
<td>5%</td>
</tr>
<tr>
<td>1999</td>
<td>79,131</td>
<td>2%</td>
<td>474,803</td>
<td>2%</td>
</tr>
<tr>
<td>1998</td>
<td>77,973</td>
<td>3%</td>
<td>465,825</td>
<td>2%</td>
</tr>
<tr>
<td>1997</td>
<td>75,987</td>
<td>2%</td>
<td>458,035</td>
<td>2%</td>
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<tr>
<td>1996</td>
<td>74,395</td>
<td>2%</td>
<td>459,164</td>
<td>1%</td>
</tr>
<tr>
<td>1995</td>
<td>73,137</td>
<td>2%</td>
<td>444,992</td>
<td>2%</td>
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<tr>
<td>1994</td>
<td>71,492</td>
<td>3%</td>
<td>436,333</td>
<td>2%</td>
</tr>
<tr>
<td>1993</td>
<td>69,197</td>
<td>3%</td>
<td>427,035</td>
<td>2%</td>
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<tr>
<td>1992</td>
<td>66,963</td>
<td>3%</td>
<td>417,740</td>
<td>2%</td>
</tr>
<tr>
<td>1991</td>
<td>65,015</td>
<td>4%</td>
<td>409,370</td>
<td>3%</td>
</tr>
<tr>
<td>1990</td>
<td>62,632*</td>
<td>237%</td>
<td>398,978*</td>
<td>46%</td>
</tr>
<tr>
<td>1980</td>
<td>18,560*</td>
<td>159%</td>
<td>272,959*</td>
<td>19%</td>
</tr>
<tr>
<td>1970</td>
<td>7,176*</td>
<td>-</td>
<td>230,006*</td>
<td>-</td>
</tr>
</tbody>
</table>

Note:  
* Per U.S. Census  
** Estimated  
All other information is as of April 1 of each year.

Source: Bureau of Economic and Business Research, University of Florida  
U.S. Census
### Construction, Property Value and Bank Deposits

Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Commercial/Industrial Construction (1)</th>
<th>Residential Construction (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Permits</td>
<td>Value</td>
</tr>
<tr>
<td>2005</td>
<td>921</td>
<td>$80,699,186</td>
</tr>
<tr>
<td>2004</td>
<td>803</td>
<td>27,793,451</td>
</tr>
<tr>
<td>2003</td>
<td>866</td>
<td>34,437,490</td>
</tr>
<tr>
<td>2002</td>
<td>963</td>
<td>37,672,743</td>
</tr>
<tr>
<td>2001</td>
<td>1027</td>
<td>38,532,468</td>
</tr>
<tr>
<td>2000</td>
<td>827</td>
<td>23,164,673</td>
</tr>
<tr>
<td>1999</td>
<td>853</td>
<td>31,906,232</td>
</tr>
<tr>
<td>1997</td>
<td>1,088</td>
<td>31,382,193</td>
</tr>
<tr>
<td>1996</td>
<td>650</td>
<td>15,366,880</td>
</tr>
</tbody>
</table>

2005 Information is fiscal year-to-date as of July 2005.

Note: Bank and Savings & Loan Deposits are for Brevard County

Sources:
1. City of Palm Bay Building Department
2. Brevard County Property Appraiser
3. FDIC
Principal Taxpayers
September 30, 2004

<table>
<thead>
<tr>
<th>Taxpayers</th>
<th>Percentage of Total Taxes Levied</th>
<th>Taxes Assessed</th>
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</thead>
<tbody>
<tr>
<td>Harris Corporation</td>
<td>1.3%</td>
<td>$239,074</td>
</tr>
<tr>
<td>Intersil Corporation</td>
<td>1.0%</td>
<td>186,493</td>
</tr>
<tr>
<td>Edens &amp; Avant</td>
<td>0.8%</td>
<td>145,979</td>
</tr>
<tr>
<td>Sage Living Center of Palm Bay</td>
<td>0.4%</td>
<td>78,977</td>
</tr>
<tr>
<td>LBK 3 LP</td>
<td>0.4%</td>
<td>67,523</td>
</tr>
<tr>
<td>Lighthouse Pointe Project</td>
<td>0.3%</td>
<td>59,163</td>
</tr>
<tr>
<td>Vestcor Fund XII LTD</td>
<td>0.3%</td>
<td>57,234</td>
</tr>
<tr>
<td>HF Partnership</td>
<td>0.3%</td>
<td>56,591</td>
</tr>
<tr>
<td>Moallem, David</td>
<td>0.3%</td>
<td>54,183</td>
</tr>
<tr>
<td>Capstone Capital Corporation</td>
<td>0.3%</td>
<td>54,147</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.6%</strong></td>
<td><strong>$999,364</strong></td>
</tr>
</tbody>
</table>

Note: The fiscal year ended September 30, 2004 tax levy is based on the 2003 tax year

Source: Brevard Tax Collector
Appendix G
INDENTURE OF TRUST

Between

THE CITY OF PALM BAY, FLORIDA

and

REGIONS BANK

$20,175,000
CITY OF PALM BAY, FLORIDA
TAX-EXEMPT EDUCATIONAL FACILITIES REVENUE BONDS
(PATRIOT CHARTER SCHOOL PROJECT)
SERIES 2006A

AND

$925,000
CITY OF PALM BAY, FLORIDA
TAXABLE EDUCATIONAL FACILITIES REVENUE BONDS
(PATRIOT CHARTER SCHOOL PROJECT)
SERIES 2006B

DATED AS OF MARCH 1, 2006
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(This Table of Contents is not a part of this Indenture of Trust and is only for convenience of reference.)

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<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>4</td>
</tr>
<tr>
<td>Section 1.2</td>
<td>Indenture to Constitute Contract</td>
<td>18</td>
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(iii)
EXHIBIT A – FORM OF BONDS
EXHIBIT B – FORM OF REPAIR AND REPLACEMENT RESERVE FUND REQUEST
INDENTURE OF TRUST

This INDENTURE OF TRUST, dated as of March 1, 2006, (as supplemented and amended, this "Indenture"), is executed by and between the CITY OF PALM BAY, FLORIDA (the "City"), a municipal corporation and political subdivision of the State of Florida, and REGIONS BANK, having a corporate trust office in Little Rock, Arkansas, duly organized and existing under the laws of the State of Alabama, as Trustee (the "Trustee"), being authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the State of Florida.

WITNESSETH:

WHEREAS, Patriot Charter School, LLC, a limited liability company duly organized and existing under the laws of the State of Florida (the "Company"), has requested that the City finance the acquisition, construction and equipping of certain school facilities located within the City of Palm Bay, Florida (the "Facilities"), in accordance with that certain Mortgage and Loan Agreement, dated as of March 1, 2006 (the "Loan Agreement"), between the City and the Company; and

WHEREAS, the provisions of the Charter of the City and Part II of Chapter 166, Florida Statutes, as amended and supplemented, or any successor statute and other applicable provisions of law, (the "Act"), authorize the City to finance such costs; and

WHEREAS, in order to finance such costs, the City shall issue its City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A, in the aggregate principal amount of $20,175,000 (the "Series 2006A Bonds"), and its City of Palm Bay, Florida Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006B, in the aggregate principal amount of $925,000 (the "Series 2006B Bonds" and together with the Series 2006A Bonds, the "Bonds") pursuant to the terms of this Indenture; and

WHEREAS, the rights of the City in the Loan Agreement will be assigned by the City to the Trustee pursuant to an Assignment of Mortgage and Loan Agreement, dated as of the date hereof; and

WHEREAS, the City shall lease to the Company certain real property more specifically described in EXHIBIT A to the Loan Agreement (the "Site") in accordance with the provisions of a Ground Lease, dated as of the date hereof (the "Ground Lease") between the City, as lessor, and the Company, as lessee; and

WHEREAS, the Company will lease the Facilities and sublease the Site to the City in accordance with the terms of a Lease Agreement, dated as of the date hereof (the "Lease"), by and between the Company, as lessor, and the City, as Lessee; and

WHEREAS, the City has executed a Charter School Agreement, by and between the City and the Board of Education of Brevard County, Florida (the "School Board"), pursuant to which the City shall be entitled to receive certain charter payments (after withholding of certain administrative expenses of the School Board as therein provided) ("Charter Payments"); and
WHEREAS, in connection with the operation of the Facilities as a charter school in accordance with the Charter, the City shall execute a Management Agreement, dated as of the date hereof (the "Management Agreement") with Charter Schools USA at Palm Bay, LLC (the "Manager"), pursuant to which the Manager shall be entitled to receive certain compensation for the operation of the Facilities (the "Management Payments"); and

WHEREAS, pursuant to the Lease, the City shall be obligated to pay certain Base Rentals and Additional Rent (as therein defined) to the Company, which Base Rentals shall, to the extent Charter Revenues and Additional Rent are sufficient therefor, be in an amount sufficient to pay principal of and interest on the Bonds, as the same respectfully come due and which Additional Rent shall be in an amount sufficient to pay operating expenses of the Facilities, among other things; and

WHEREAS, pursuant to the Lease, the City shall, subject to appropriation, be obligated to pay certain Capital Contributions to the Company, as contributions to improvements in connection with the Facilities; and

WHEREAS, pursuant to the terms hereof, the City shall deposit all Charter Revenues, Base Rentals and Additional Rent with the Trustee, to be applied to satisfy the obligations of the City arising under the Lease; and

WHEREAS, the Bonds and the Trustee's authentication certificate are to be substantially in the form set forth on EXHIBIT A attached hereto, with such necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the City and to constitute this Indenture a valid, binding and legal instrument for the security of the Bonds in accordance with its terms, have been done and performed;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the City, in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof and of the sum of One Dollar to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time Outstanding under this Indenture according to their tenor and effect and to secure the performance and observance of all the covenants and conditions in the Bonds and herein contained, and to declare the terms and conditions upon and subject to which the Bonds are issued and secured, has executed and delivered this Indenture and has granted, bargained, sold, alienated, assigned, pledged, set over and confirmed, and by these presents does grant, bargain, sell, alienate, assign, pledge, set over, confirm and grant a security interest unto Regions Bank, as Trustee, and to its successors and assigns forever, all and singular the following described property, franchises and income:

A. The Loan Agreement, including the rights of the City under and pursuant to the Loan Agreement (other than the rights of the City under Section 8.5 and 10.4 of the Loan
Agreement, as they apply to the City and other than the rights of the City to perform certain discretionary acts as reserved in the Loan Agreement) and the rights, title and interests granted, pledged, bargained, sold, conveyed and mortgaged by the Company therein, including Pledged Revenues (as herein defined).

B. All Funds (except the Rebate Fund) established under this Indenture, except for monies deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption or tender of which has been duly given, and all Pledged Revenues payable to the Trustee by or for the account of the City pursuant to the Loan Agreement and this Indenture, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture.

C. Any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security hereunder by the City or by anyone in its behalf or with its written consent in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Trustee and its successors in said trust and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms herein set forth for the equal and proportionate benefit, security and protection of all owners of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any other of the Bonds except as specifically provided herein;

PROVIDED, HOWEVER, that if the City, its successors or assigns shall well and truly pay, or cause to be paid, the principal of the Bonds and the premium, if any, and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Principal Fund and the Bond Interest Fund as hereinafter required or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, or certain securities as herein permitted, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments, this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise, this Indenture to be and remain in full force and effect.
THIS INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights, interests and revenues and funds hereby pledged and assigned are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the City has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective owners from time to time of the Bonds as follows:

ARTICLE I

DEFINITIONS; BOND INDENTURE TO CONSTITUTE CONTRACT

Section 1.1 Definitions. All words and phrases not otherwise defined herein shall have the same meanings as assigned to such words and phrases in the Loan Agreement. In addition, the following terms, except where the context indicates otherwise, shall have the respective meanings set forth below:

"Act" means Chapter 166, Part II, Florida Statutes, and other applicable provisions of law.

"Additional Indebtedness" means all Indebtedness of the Company other than the Loan.

"Additional Rent" means the payments payable by the City pursuant to the Lease during the Original Term and any Renewal Term, in excess of Base Rentals and Capital Contributions.

"Additional Revenue" means revenues derived from the operation of the Leased Property, other than Charter Revenues.

"Assignment" means the Assignment of Mortgage and Loan Agreement, dated as of March 1, 2006, from the City to the Trustee.

"Average Daily Expenses" means (A) the aggregate of the actual Operating Expenses incurred during the relevant time period including without limitation all Long-Term Debt Service Requirements during such period (but excluding (i) depreciation, (ii) an amount equal to 50% of the scheduled fees for such period under the Management Agreement and the Property Management Agreement, and (iii) principal and interest due and payable on Subordinate Debt during such period), divided by (B) 360.

"Audited Financial Statements" means, as to the Company, financial statements for a Fiscal Year, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness 20% or more of the principal payments of which are due in any 12-month period, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.
"Base Rentals" means the payments payable by the City pursuant to Section 6.2 of the Lease during the Original Term and any Renewal Term which constitutes the payments payable by the City for and in consideration of the right to use the Leased Property during such Original Term or any Renewal Term.

"Beneficial Owner" means, with respect to any Bonds in Book Entry Form, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee. Such evidence may include a letter or letters from the Direct Participants and Indirect Participants, as applicable, attesting to the Beneficial Ownership Interest of such Beneficial Owner.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by a Depository under a book entry system.

"Board" means the Board of Directors of the Company.


"Bond Interest Fund" means the Bond Interest Fund created pursuant to Section 3.2 hereof.

"Bond Principal Fund" means the Bond Principal Fund created pursuant to Section 3.2 hereof.

"Bondholder" or "holder" or "owner" of Bonds means the Registered Owner of any Bond.

"Book Entry Form" or "book entry system" means, with respect to any Bonds, a form or system, as applicable, under which (a) the Beneficial Ownership Interests may be transferred only through a book entry and (b) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as holder, with the physical Bond certificates "immobilized" in the custody of the Depository. The book entry system maintained by and the responsibility of the Depository (and not maintained by or the responsibility of the City or the Trustee) is the record that identifies, and records the transfer of the interests of, the owners of book entry interests in such Bonds.

"Business Day" means any day other than a Saturday, a Sunday or any other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or any city in which the principal corporate trust office of the Trustee is located.

"Capital Contributions" means payments to be made by the City for certain capital improvements in connection with the Facilities, as provided in Section 6.4 of the Lease.

"Charter" means the Charter School Agreement by and between the School Board and the City dated as of June 30, 2005, relating to the Facilities.
"City" means the City of Palm Bay, Florida, a municipal corporation and political subdivision organized and existing under the laws of the State of Florida, and its successors and assigns.

"City Representative" means the mayor or other authorized officer of the City, and, when used with reference to an act or document, also means any other person authorized by resolution of the City to perform such act or sign such document.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations issued from time to time thereunder.

"Company" means Patriot Charter School, LLC, a limited liability company organized and existing under the laws of the State of Florida, and its successors and assigns.

"Company Representative" or "Corporation Representative" means the president of the sole member of the Company or any other person designated as such by an instrument in writing delivered to the City and the Trustee by the president of the sole member of the Company.

"Completion Date" means the date of the completion of the acquisition, construction, improvement and equipping of the Facilities described in EXHIBIT B to the Loan Agreement, as evidenced by satisfaction of all conditions set forth in Section 4.7 of the Loan Agreement.

"Completion Indebtedness" means any Long-Term Indebtedness incurred by the Company for the purpose of financing the completion of the acquisition, construction or equipping of the Facilities for which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Loan Agreement, to the extent necessary to provide completed and equipped Facilities of the type and scope contemplated at the time that such Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such Facilities as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Indebtedness theretofore incurred was originally incurred.

"Construction Representative" means CAPRI Engineering Services, or its successor, appointed to review and authorize disbursements from the Project Fund and to certify the Completion Date.

"Consultant" means a firm or firms designated in a certificate of the Company Representative which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of the Company, the Developer, the Manager, or any affiliate of the foregoing and which is a professional management consultant of national repute for having the skill and experience necessary to render the particular report required by the provision of the Loan Agreement in which such requirement appears.

"Cost of Issuance Fund" means the Cost of Issuance Fund created pursuant to Section 3.2 hereof.
"Cost of the Project" means the sum total of all reasonable and necessary costs incidental to the financing of the Facilities described in the Loan Agreement.

"Credit Facilities" means a line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facilities established in connection with the issuance of Indebtedness to provide credit or liquidity support for such Indebtedness.

"Current Liabilities" means liabilities of the Company expected to be liquidated in the greater of one year and the normal operating cycle of the Company, excluding any liability otherwise classified as current which will be settled from other than Current Assets within such time period, all determined in accordance with generally accepted accounting principles.

"Current Ratio" means the ratio of Current Assets to Current Liabilities.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund created pursuant to Section 3.2 hereof.

"Debt Service Reserve Fund Requirement" means $1,708,555.

"Debt to Equity Ratio" means the ratio of (a) Indebtedness to (b) excess of total assets of the Company over total liabilities.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in bonds, and to effect transfers of book entry interests in bonds in book entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

"Determination of Taxability" has the meaning set forth in Section 5.4 hereof.

"Developer" means ACS II, LLP, a limited liability partnership organized under the laws of the State of Florida.

"Development Agreement" means the Development Agreement, dated as of the date hereof, by and between the Developer and the Company, as the same may be amended from time to time.

"Direct Participant" means a participant in the securities depository system maintained by The Depository Trust Company, New York, New York.

"Environmental Law" means (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1976, 42 U.S.C. §§ 9601 et seq.; (b) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by SARA, 42 U.S.C. §§ 1820 et seq.; (c) the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1810 et seq.; (d) the Toxic Substances Control Act, 15 U.S.C. §§ 2601 et seq.; (e) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §§ 9601 et seq.; (f) the Clean Water Act, 33 U.S.C. §§ 1251 et seq.; (g) the Clean Air Act, 42 U.S.C. §§ 7412 et seq.; and (h); and any related laws of the State of Florida or ordinances or resolutions of the City, as any such acts,
powers and duties may be amended, modified or supplemented and any regulations promulgated pursuant to any of the foregoing statutes.

"Equipment" means all furniture, machinery, fixtures and equipment now owned or hereafter acquired by the Company, and the products and proceeds of the same, including without limitation all items of personal property and fixtures used or usable in connection with the Facilities, and any item of furniture, machinery, fixtures, equipment or other personal property or fixtures acquired in substitution or replacement thereof, less such machinery, equipment or other personal property or fixtures as may be released from the pledge of the Loan Agreement as provided in the Loan Agreement.

"Escrowed Interest" means amounts (but not including any interest earnings thereon, except as otherwise provided in the Loan Agreement) deposited in escrow in connection with the issuance of Long-Term Indebtedness and either held as cash or invested in noncallable Government Obligations to pay interest on such Long-Term Indebtedness (but shall not include capitalized or borrowed interest).

"Event of Default" or "event of default" means those defaults specified in this Indenture or the Loan Agreement, as appropriate.

"Facilities" means collectively, the school facilities of the Company financed with proceeds of the Bonds, located in the City of Palm Bay, Florida, as more particularly described in the Loan Agreement.

"Fiscal Year" means the fiscal year of the Company which shall at all times be set so as to coincide with the academic year of the Facilities.

"Funds" means the Revenue Fund, the Project Fund, the Bond Principal Fund, the Bond Interest Fund, the Cost of Issuance Fund, the Debt Service Reserve Fund, the Operating Expense Fund, the Repair and Replacement Reserve Fund, the Surplus Cash Fund and the Rebate Fund, any other trust fund established by the Trustee hereunder, and any account created therein, all as established and created by this Indenture.

"Governing Body" means the Board of Directors of the sole member of the Company.

"Government Obligations" means:

(a) (i) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America;

(ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

(iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America;
(iv) evidences of ownership or proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, provided, however, that Government Obligations described in this subsection (iv) may only be used in connection with a defeasance of the Bonds under this Indenture; or

(v) securities of or other interests in any open-end or closed-end management type investment company or investment trust registered under the federal "Investment Company Act of 1940," 15 U.S.C. Section 80(a)-1 et seq., if the portfolio of such investment company or investment trust is limited to United States of America obligations which are backed by the full faith and credit of the United States of America and to repurchase agreements fully collateralized by such obligations and if any such investment company or investment trust actually takes delivery of such collateral, either directly or through an authorized custodian.

(b) Pre-refunded municipal obligations rated "AAA" by Standard & Poor's Rating Services and "Aaa" by Moody's Investors Service meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the bond trustee therefor has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(ii) the municipal obligations are secured by cash or obligations described in paragraphs (a)(i), (ii), (iii), (iv) or (v) above, which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(iii) the principal of and interest on the obligations described in paragraphs (a)(i), (ii), (iii), (iv) or (v) above (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest and premium, if any, due and to become due to the municipal obligations ("Verification");

(iv) the cash or obligations described in paragraph (a) above serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(v) no substitution of an obligation described in paragraph (a) above shall be permitted except with another obligation described in paragraph (a) above and upon delivery of a new Verification; and

(vi) the cash or obligations described in paragraph (a) above are not available to satisfy any other claims, including those by or against the bond trustee or escrow agent.
"Guaranty" means any obligation of the Company guaranteeing in any manner, directly or indirectly, any obligation of any Person, which obligation of such other Person would, if such obligation were the obligation of the Company, constitute Indebtedness under the Loan Agreement. For the purposes of the Loan Agreement, so long as no payments are required to be made under such Guaranty and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, the aggregate principal amount of any indebtedness in respect of which the Company shall have executed and delivered its Guaranty shall be deemed to be equal to 20% of the principal amount borrowed under such guaranteed indebtedness Outstanding at the time any computation is being made, and the aggregate annual principal and interest payments on any indebtedness in respect of which the Company shall have executed and delivered its Guaranty shall be deemed to be equal to 20% of the amount which would be payable as principal of and the interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made, provided that if there shall have occurred a default under the guaranteed obligation of any direct or indirect payment by the Company on such Guaranty, then, during the period commencing on the date of such default of payment and ending as the case may be on the day on which such default is cured or on the day which is two years after such other Person resumes making all payments on such guaranteed obligation, 100% of such guaranteed indebtedness shall be taken into account.

"Hazardous Material" means: (a) any substances defined as "hazardous substances," "pollutants," "contaminants," "hazardous materials," "hazardous wastes," or "hazardous or toxic substances" or related materials as now or hereafter defined in any Environmental Law, (b) those substances listed or otherwise identified as substances of the type referred to in the preceding subsection (a) in the regulations adopted and issued pursuant to any Environmental Law, as the same may be amended, modified or supplemented; (c) any friable asbestos, airborne asbestos in excess of that generally found in the atmosphere, respectively, where the Facilities are located, or any substance or material containing asbestos, excluding any such materials located on the educational facilities of the Company prior to the date of the Loan Agreement so long as such materials are contained, maintained, abated, or removed in compliance with all applicable Environmental Laws; and (d) any substance the presence of which on the Facilities is prohibited by any applicable Environmental Law; provided that Hazardous Material shall not include any such substances used in or resulting from the ordinary operation of the Facilities or for the cleaning of the Facilities; provided that such substances are stored, handled and disposed of in compliance with all applicable Environmental Laws and other applicable laws and regulations.

"Improvements" means the Facilities, buildings, fixtures and other improvements located on the Site and pledged pursuant to the Loan Agreement.

"Income Available for Debt Service" means, as to any Fiscal Year or other specified period, (a) excess of revenues over expenses of the Company before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined from the Audited Financial Statements or as otherwise herein provided, provided that unrealized gains and losses on investments will not be recognized in the calculation of Income Available for Debt Service, plus (b) capitalized or funded interest available for and scheduled to be applied to interest obligations accrued during such period; provided, however, that (i) no determination thereof shall take into account any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, and
(ii) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest, and (iii) 50% of the subordinated obligations of the Company under the Management Agreement shall be excluded from the calculation of expense.

"Indebtedness" means (a) all obligations of the Company for borrowed money including, but not limited to, the Loan, (b) all installment sales, conditional sales and capital lease obligations incurred or assumed by the Company as purchaser, and (c) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include any other obligation incurred by the Company in the ordinary course of business, any obligation to contribute to self-insurance, pension or other risk management programs, or any fees or expenses payable in connection with the incurrence of Indebtedness.

"Indenture" means this Indenture of Trust between the City and the Trustee, including any indentures supplemental hereto made in conformity herewith, pursuant to which the Bonds are authorized to be issued and secured.

"Indirect Participant" means a Person utilizing the book entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

"Insurance Consultant" means a firm or Person selected by the Company Representative and approved by the Bondholders or Beneficial Owners holding a majority of the Outstanding Bonds which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of the Company, the Developer, the Manager, or any affiliate of the foregoing and which is qualified to survey risks and to recommend insurance coverage for educational facilities and services and organizations engaged in such operations and which may provide insurance coverage for the Company.

"Interest Payment Dates" means July 1 and January 1 of each year, commencing July 1, 2006.

"Lease Term" means the Original Term and any Renewal Terms as to which the City may exercise its option to renew the Lease.

"Leased Property" means all property conveyed under the Lease including, without limitation, (a) the Site, (b) the Equipment, (c) the Improvements and any other improvements located on the Site, and (d) any additions or alterations thereto which are permitted under the Lease.

"Letter of Representations" means any Letter of Representations from the City and the Trustee to the Depository which may be delivered in connection with the issuance of the Bonds in a book entry system, as supplemented and amended from time to time.

"Lien" means any mortgage, deed of trust, pledge, security interest, assignment as collateral, or other encumbrance on any assets of the Company, or the sale or assignment of accounts receivable of the Company.
"Loan" means the loan by the City to the Company of the proceeds from the sale of the Bonds (exclusive of accrued interest paid by the initial purchasers of any Bonds) pursuant to the Loan Agreement.

"Loan Agreement" means the Mortgage and Loan Agreement between the City and the Company, dated as of March 1, 2006, and any amendments and supplements thereto made in conformity with the requirements thereof and of this Indenture.

"Loan Payments" means those payments required to be paid by the Company pursuant to the Loan Agreement.

"Long-Term Debt Service Coverage Ratio" means, except as otherwise provided in the Loan Agreement, for any Fiscal Year or other specified period, the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service. When calculating the Long-Term Debt Service Coverage Ratio, capitalized interest shall not be counted as income unless it will be available and applied in the same year as the Maximum Annual Debt Service will occur.

"Long-Term Debt Service Requirement" means, for any Fiscal Year or other specified period, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Company during such period, also taking into account:

(a) with respect to Balloon Long-Term Indebtedness, (i) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of 20 years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within 12 months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation, or (ii) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with a bank having a combined capital and surplus of at least $50,000,000, or insured by an insurance policy issued by any insurance company rated at least "A" by Alfred M. Best Company or its successors in Best's Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Company Representative, be treated as if such principal or interest payments or deposits were due as specified in any loan agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or repayment provisions; and

(b) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or such shorter period, but not less than six months, if such information is not available for a 12-month period), except
that with respect to new Variable Rate Indebtedness, and Variable Rate Indebtedness issued within the last six months, the interest rate for such Indebtedness for the initial interest rate period shall be such interest rate as determined in writing delivered to the Trustee by a banking, investment banking or financial advisory firm, which shall be knowledgeable in matters relating to finance for educational facilities.

"Long-Term Indebtedness" means all Indebtedness having a maturity longer than one year incurred or assumed by the Company, including without limitation:

(a) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year, including without limitation, the Loan;

(b) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(c) installment sale or conditional sale contracts incurred or assumed by the Company as purchaser having an original term in excess of one year;

(d) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(e) the current portion of Long-Term Indebtedness.

"Management Agreement" means the Management Agreement, dated as of the date hereof, by and between the Manager and the City, as the same may be amended from time to time.

"Management Payments" means all payments due to the Manager from the City pursuant to the Management Agreement.

"Manager" means Charter Schools USA at Palm Bay, LLC, a Florida limited liability company, and its successors and assigns.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for any current or succeeding Fiscal Year or other specified period.

"Net Proceeds" means the gross proceeds of any insurance or condemnation awards or the gross proceeds received pursuant to any title insurance policy with respect to any Property, Plant and Equipment pledged to the payment of the Loan pursuant to the Loan Agreement, less such fees and expenses incurred in collecting the same.

"Nonrecourse Indebtedness" means any Indebtedness incurred to finance the purchase by the Company of tangible property secured solely by a Lien on such property, the liability for
which is limited to the property subject to such Lien with no recourse, directly or indirectly, to any other assets of the Company.

"Notice Beneficial Owners" means those Beneficial Owners who have given their addresses and facsimile numbers to the Company and shall include those Beneficial Owners identified to the Trustee on the date of issuance of the Bonds.

"Officer's Certificate" means a certificate signed by the Company Representative. Each Officer's Certificate presented pursuant to the Loan Agreement shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, the Loan Agreement.

"Operating Expense Fund" means the Operating Expense Fund created pursuant to Section 3.2 hereof.

"Operating Expenses" shall mean all expenses reasonably required in the operation and maintenance of the Improvements, consistent with generally accepted accounting principles, and including, the following items, without intending to limit the generality of the foregoing:

(a) expenses for operation (including all utilities and fees payable under management and/or operating agreements), maintenance, repair, insurance and inspection;

(b) costs and expenses for reasonable and necessary professional, engineering, architectural, legal, financial, auditing and consulting services, and including the fees of and other amounts payable to the Trustee and the City;

(c) all taxes or contributions or payments in lieu thereof, assessments and charges, including, without intending to limit the generality of the foregoing, income, profits, sales, use, property, franchise, and excise taxes;

(d) obligations under contracts for supplies, services and pensions and other employee benefits;

(e) purchases of merchandise and other inventory items; and

(f) rentals payable under leases not intended by the Company to evidence the acquisition of capital assets, as determined in accordance with generally accepted accounting principles; provided, however, that rentals payable under leases which, under generally accepted accounting principles would be treated as evidencing the acquisition of a capital asset shall be includable within Operating Expenses, if so designated by the Company, provided, however, the term "Operating Expenses" shall not be construed to include (i) depreciation, (ii) amortization, and (iii) the annual Long-Term Debt Service Requirement.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Trustee and nationally recognized as experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.
"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Trustee, who may be counsel for the Company or other counsel acceptable to the Trustee.

"Original Term" means the portion of the Lease Term which terminates on July 1, 2036.

"Outstanding" means, as of any particular time, all Bonds which have been duly authenticated and delivered by the Trustee under this Indenture, except:

(a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds (or securities to the extent described in this Indenture) shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(c) Bonds in lieu of which other Bonds have been authenticated under this Indenture.

Bonds which do not pay interest currently in accordance with their terms shall be deemed to be Outstanding in an amount equal to their accreted value at the applicable time.

"Parity Indebtedness" means Indebtedness of the Company secured on a parity basis with the Bonds incurred pursuant to Section 8.12 of the Loan Agreement.

"Permitted Investments" means any of the following which at the time are legal investments under the laws of the State of Florida for moneys held under this Indenture and then proposed to be invested therein:

(a) Government Obligations;

(b) negotiable certificates of deposit issued by, or banker's acceptances drawn on and accepted by, any bank, including the Trustee, the certificate of deposit or debt obligations of which (or if such bank is the principal bank in a bank holding company, debt obligations of the bank holding company) are rated, at the time such certificates or acceptances are issued, in one of the two highest Rating Categories;

(c) repurchase agreements with any U.S. commercial bank, or with any United States Government securities dealer, provided that such repurchase agreements are fully secured by Government Obligations, and provided further that (i) such collateral is held by the Trustee or any agent acting solely for the Trustee during the term of such repurchase agreement, (ii) such collateral is not subject to liens or claims of third parties and the Trustee has a perfected first security interest in the collateral, (iii) such collateral has a market value (determined at least once every 14 days) at least equal to 102% of the amount invested in the repurchase agreement, and
(iv) the failure to maintain such collateral at the level required in (iii) above will require the Trustee to liquidate the collateral;

(d) certificates of deposit issued by any bank, savings institution or trust company, including the Trustee, and time deposits in any bank, savings institution or trust company, including the Trustee, as to which principal is fully insured by a federally sponsored deposit insurance program;

(e) guaranteed investment contracts issued by a provider rated "AA" or better or "Aa" or better by Standard & Poor's Rating Services or Moody's Investor's Services, Inc., respectively; and

(f) money market funds which are rated in the highest Rating Category and are fully collateralized by Government Obligations.

"Permitted Liens" shall have the meaning assigned to it in Section 8.9(b) of the Loan Agreement.

"Person" means an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Pledged Revenues" means any and all rights to receive all the receipts, revenues, cash and income of the Company from whatever source derived, whether in the form of accounts, accounts receivable, rents, fees, contract rights, chattel paper, general intangibles, commercial tort claims, profits and income, or other rights, and the proceeds of all of the foregoing, whether now owned or held or hereafter coming into existence or acquired. Pledged Revenues includes (but is not limited to) (a) Base Rentals, (b) Capital Contributions, and (c) Additional Rent.

"Pledged Property" means all property pledged, granted, or conveyed to secure amounts due under the Loan Agreement or the Bonds, including, without limitation, the Improvements, the leasehold interest in the Site, the Equipment and the Pledged Revenues.

"Project" means collectively, the acquisition, construction and equipping of the Facilities.

"Project Fund" means the Project Fund created pursuant to this Indenture.

"Property" means collectively the Improvements and the Site.

"Property Management Agreement" means the Facilities Management Agreement, dated as of the date hereof, by and between the Company and the Developer.

"Property, Plant and Equipment" means real and personal, tangible and intangible property owned by the Company which is property, plant and equipment under generally accepted accounting principles.
"Rating Agency" means Moody's Investors Service, Inc. or Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., and their respective successors and assigns.

"Rating Category" or "Categories" means the rating category or categories respectively of each Rating Agency.

"Rebate Analyst" means an attorney or firm of attorneys or accountant or firm of accountants or other Person hired by the Company to assist the Company in compliance with the arbitrage rebate requirements of Section 4.6 of the Loan Agreement.

"Rebate Fund" means the Rebate Fund created in this Indenture.

"Registered Owner" or "Owner" means the registered owner of any Bonds, as shown on the registration books of the Trustee.

"Regular Record Date" means the fifteenth day of the calendar month prior to a regularly scheduled Interest Payment Date for the Bonds.

"Renewal Term" means any optional Renewal Term of the Lease Term as provided in the Lease.

"Repair and Replacement Reserve Fund" means the Repair and Replacement Reserve Fund created pursuant to this Indenture.

"Repair and Replacement Reserve Fund Requirement" means $500,000.

"Revenue Fund" means the Revenue Fund created pursuant to Section 3.2 hereof.


"Short-Term Indebtedness" means Indebtedness with a term of less than one year or payable on demand.

"Significant Bondholder" or "Significant Bondholders" shall mean any three (3) or fewer Beneficial Owners of Bonds holding, in the aggregate, greater than 50% of the Outstanding Bonds, provided, however, that Beneficial Owners under common management shall be considered a single Beneficial Owner for such purpose. If no such three (3) or fewer Beneficial Owners own greater than 50% of the Outstanding Bonds, then the provisions relating to the Significant Bondholder shall not apply.
"Site" means the real property described as the Site in the Loan Agreement, less any such real property released under the provisions of the Loan Agreement.

"Special Record Date" means a special record date fixed to determine the names and addresses of Registered Owners for purposes of paying interest on a special Interest Payment Date for the payment of defaulted interest, all as further provided in this Indenture.

"Subordinated Debt" means any Indebtedness the payment of which is specifically subordinated to the payment of principal and interest on the Bonds and any Lien securing which is specifically subordinated to the Lien granted in the Loan Agreement, and evidenced by a writing which contains provisions substantially as provided in the Loan Agreement and for which the Company has received an Opinion of Counsel to the effect that such Indebtedness constitutes Subordinated Debt.

"Tax Certificates" means the certificates of the City or the Company relating to the tax-exempt status of the Bonds and including any amendments or supplements thereto.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset, claim, or interest therein, including specifically, but without limitation, the forgiveness of any debt, but shall not include leases and operating contracts governed by the Loan Agreement.

"Trust Estate" means the property pledged, assigned and mortgaged to the Trustee pursuant to the granting clauses of this Indenture.

"Trustee" means Regions Bank, having a corporate trust office in Little Rock, Arkansas, duly organized and existing under the laws of the State of Alabama, as trustee, and its successors and assigns.

"Underwriter" means Gates Capital Corporation, New York, New York, and its successors and assigns; provided that any purchaser of a Bond from the Underwriter shall not be considered as successor or assign thereof.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

Section 1.2 Indenture to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall own the same from time to time, the provisions of this Indenture shall be part of the contract of the City with the owners of the Bonds, and shall be deemed to be and shall constitute contracts among the City, the Trustee and the owners from time to time of the Bonds. The pledge made in this Indenture and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the owners of any and all of the Bonds except as specifically provided herein. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or pursuant to this Indenture.
ARTICLE II

AUTHORIZATION, TERMS

Section 2.1 Authorized Amount of Bonds. No Bonds may be issued under this Indenture except in accordance with this Article. The total principal amount of Series 2006A Bonds that may be issued hereunder is hereby expressly limited to, and the amount hereby authorized to be issued shall be, $20,175,000. The total principal amount of Series 2006B Bonds that may be issued hereunder is hereby expressly limited to, and the amount hereby authorized to be issued shall be $925,000.

Section 2.2 All Bonds Equally and Ratably Secured by Trust Estate Except as Expressly Provided Herein; Limited Obligation of Bonds and Pledges Securing the Same. All Bonds issued under this Indenture and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority or distinction as to date or dates or the actual time or times of the issue or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture, and shall all be equally and ratably secured hereby, except as otherwise expressly provided herein. The Bonds shall be limited, special obligations of the City payable solely out of the security specified in this Indenture. The Bonds shall not constitute or become a general indebtedness, a debt or a liability of or a charge against the general credit or taxing power of the State of Florida, or of any county, city, city and county, town, school district or other subdivision of the State of Florida, or of any other political subdivision or body corporate and politic within the State of Florida but shall be a limited, special obligation of the City to the extent provided in this Indenture, and neither the State of Florida, nor any county, city, city and county, town, school district or other subdivision of the State of Florida, except the City to the extent provided above, shall be liable thereon; nor shall the Bonds constitute the giving, pledging or loaning of the faith and credit of the State of Florida, or any county, city, city and county, town, school district or other subdivision of the State of Florida or of any other political subdivision or body corporate and politic within the State of Florida but shall be payable solely from the funds herein provided therefor. Neither the members of the City Council of the City nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 2.3 Authorization of Bonds. There is hereby authorized to be issued hereunder and secured hereby an issue of bonds, designated as the "City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A," and the "City of Palm Bay, Florida Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006B." The Bonds shall be issuable only as fully registered bonds. The Series 2006A Bonds shall be in minimum denominations of $250,000 plus integral multiples of $5,000 in excess thereof and the Series 2006B Bonds shall be in minimum denominations of $50,000 plus integral multiples of $5,000 in excess thereof. The Series 2006A Bonds shall be separately lettered "AR" and shall be numbered separately from 1 upward. The Series 2006B Bonds shall be separately lettered "BR," shall be numbered separately from 1 upward and shall bear a legend in the form shown on EXHIBIT A attached hereto as "Form of Series 2006B Bond."
The Series 2006A Bonds shall be dated as of their date of original issuance, and shall mature on July 1 in each of the principal amounts and years, and shall bear interest payable semiannually on January 1 and July 1 of each year, commencing July 1, 2006, at the interest rates per annum set forth below:

<table>
<thead>
<tr>
<th>Maturity (July 1)</th>
<th>Principal Amount</th>
<th>Interest Rate (Per Annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$4,460,000</td>
<td>6.75%</td>
</tr>
<tr>
<td>2036</td>
<td>$15,715,000</td>
<td>7.00</td>
</tr>
</tbody>
</table>

The Series 2006B Bonds shall be dated as of their date of original issuance, and shall mature serially on July 1, 2012, and shall bear interest payable semiannually on January 1 and July 1 of each year, commencing July 1, 2006, at the interest rate per annum of 9.00%. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months, payable semiannually on January 1 and July 1 of each year of each year, with the first interest payment to be made on July 1, 2006, except that Bonds which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid, or if no interest has been paid, from the date of the Bonds.

The Bonds shall be originally issued in Book Entry Form, and shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company. While the Bonds are held in Book Entry Form, (a) such Bonds shall be registered in the name of the Depository or its nominee, as Bondholder, and immobilized in the custody of the Depository; (b) unless otherwise requested by the Depository, there shall be a single Bond certificate for each Bond maturity; and (c) such Bonds shall not be transferable or exchangeable, except for transfer to another Depository or another nominee of a Depository, without further action by the City. While the Bonds are in Book Entry Form, Bonds in the form of physical certificates shall only be delivered to the Depository.

So long as a book entry system is in effect for the Bonds, except as otherwise set forth herein, the City and Trustee shall recognize and treat the Depository, or its nominee, as the Holder of the Bonds for all purposes, including payment of debt service, giving of notices, and enforcement of remedies. Except as specifically set forth herein, the crediting of payments of debt service on the Bonds and the transmittal of notices and other communications by the Depository to the Direct Participant in whose Depository account the Bonds are recorded and such crediting and transmittal by Direct Participants to Indirect Participants or Beneficial Owners and by Indirect Participants to Beneficial Owners are the respective responsibilities of the Depository, the Direct Participants and the Indirect Participants and are not the responsibility of the City or the Trustee; provided, however, that the City and the Trustee understand that neither the Depository nor its nominee shall provide any consent requested of the Registered Owners of Bonds pursuant to this Indenture, and that the Depository will mail an omnibus proxy (including a list identifying the Direct Participants) to the Trustee which assigns the Depository's, or its nominee's, voting rights to the Direct Participants to whose account at the Depository the Bonds are credited (as of the record date for mailing of requests for such consents). Upon receipt of such omnibus proxy, the Trustee shall then treat such owners as Registered Owners of the Bonds for purposes of obtaining any consents pursuant to the terms of this Indenture. Notwithstanding
the foregoing, the Trustee shall provide notices to, solicit and accept consents and directions from, and otherwise recognize Beneficial Owners as set forth in this Indenture.

As long as the Bonds are registered in the name of a Depository, or its nominee, the Trustee agrees to comply with the terms and provisions of the Letter of Representations including the provisions of the Letter of Representations with respect to any delivery of the Bonds to the Trustee.

If any Depository determines not to continue to act as a Depository for the Bonds held in a book entry system, the City may attempt to have established a securities depository/book entry system relationship with another Depository under this Indenture. If the City does not or is unable to do so, the City and the Trustee, after the Trustee has made provision for notification of the Beneficial Owners by appropriate notice to the then Depository, shall permit withdrawal of the Bonds from the Depository and shall authenticate and deliver Bonds certificates in fully registered form to the assignees of the Depository or its nominee or to the Beneficial Owners. Beneficial Owners holding a majority of the Outstanding Bonds also may request that the Bonds be withdrawn from the Depository and that the Trustee authenticate and deliver Bond certificates in fully registered form to the Beneficial Owners. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing and delivering such replacement Bonds) of the Company. Such replacement Bonds shall be in the denominations specified in the first paragraph of this Section 2.3.

NEITHER THE CITY, THE COMPANY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (a) THE BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (c) THE TIMELY OR ULTIMATE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (d) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS INDENTURE TO BE GIVEN TO REGISTERED OWNERS; (e) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (f) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Proceeds from the sale of the Series 2006A Bonds in the amount of $20,045,000 shall be deposited as follows:

(a) An amount equal to $2,049,700 shall be deposited into the Bond Interest Fund;

(b) An amount equal to $272,500 shall be deposited into the Series 2006A Subaccount of the Cost of Issuance Fund;
(c) An amount equal to $16,014,245 shall be deposited into the Project Fund; and

(d) An amount equal to $1,708,555 shall be deposited into the Debt Service Reserve Fund.

Proceeds from the City in the amount of $200,000 shall be deposited as follows:

(a) An amount equal to $120,300 shall be deposited into the Series 2006B Subaccount of the Bond Interest Fund; and

(b) An amount equal to $79,700 shall be deposited into the Cost of Issuance Fund.

All of the Series 2006B Bonds will be delivered to the underwriter as compensation under the Bond Purchase Agreement.

The principal of and premium, if any, on the Bonds shall be payable at the principal corporate trust office of the Trustee currently located in Birmingham, Alabama, or at the principal office of its successor in trust upon presentation and surrender of the Bonds. Payment of interest on any Bond shall be made to the Registered Owner thereof by check or draft mailed on the Interest Payment Date by the Trustee to the Registered Owner at his address as it last appears on the registration books kept by the Trustee at the close of business on the Regular Record Date for such Interest Payment Date, but any such interest not so timely paid or duly provided for shall cease to be payable to the Registered Owner thereof at the close of business on the Regular Record Date and shall be payable to the Registered Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever monies become available for payment of the defaulted interest, and notice of such Special Record Date shall be given to the Registered owners of the Bonds not less than 10 days prior thereto by first-class mail to each such Registered owner as shown on the Trustee's registration books on the date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Notwithstanding the foregoing, at the written request addressed to the Trustee of any Bondholder of at least $1,000,000 in aggregate principal amount of the Bonds, payments of principal at maturity or upon redemption and payments of interest may be paid by wire transfer within the United States to the bank account number filed no later than the Regular Record Date with the Trustee for such purpose. All payments on the Bonds shall be made in lawful money of the United States of America upon collection of immediately available funds.

The Bonds are subject to prior redemption as herein set forth. The Bonds shall be substantially in the form and tenor hereinabove recited with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

Notwithstanding anything herein to the contrary, when any Bond is registered in the name of a Depository or its nominee, the principal and redemption price of and interest on such Bond shall be payable in same day or federal funds delivered or transmitted to the Depository or its nominee.

Section 2.4 Execution of Bonds. The Bonds shall be substantially in the form set forth in EXHIBIT A with variations, omissions and insertions as are permitted or required by this
Indenture or deemed necessary by the Trustee. The Bonds shall be executed in the name and on behalf of the City, by the manual or facsimile signature of the Mayor of the City, and its corporate seal or a facsimile thereof shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the City Clerk. Any Bond may be signed (manually or by facsimile), sealed or attested on behalf of the City by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of authentication, issuance or delivery, such person may have ceased to hold such office.

Section 2.5 Registration, Transfer and Exchange of Bonds, Persons Treated as Owner. The City shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Trustee which is hereby appointed the transfer agent of the City for the Bonds. Notwithstanding such appointment, the Trustee is hereby authorized to make any arrangements with other institutions that it deems necessary or desirable in order that such institutions may perform the duties of transfer agent for the Bonds. Subject to the provisions of Section 2.3 hereof, upon surrender for transfer of any Bond at the designated corporate trust office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the City shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds for a like aggregate principal amount of the same maturity.

Bonds may be exchanged at the designated corporate trust office of the Trustee for a like aggregate principal amount of fully registered Bonds of the same maturity and series in authorized denominations, which shall be no less than $50,000. The City shall execute and the Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously Outstanding. The execution by the City of any fully registered Bond of any denomination shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate and deliver such fully registered Bond.

The Trustee shall not be required to transfer or exchange any Bond during the period from the Regular Record Date next preceding the mailing of notice of redemption as herein provided. After the giving of such notice of redemption, the Trustee shall not be required to transfer or exchange any Bond, which Bond or portion thereof has been called for redemption.

Payment of either principal or interest on any fully registered Bond shall be made only to or upon the written order of the Registered Owner thereof or his legal representative, on the Regular Record Date or the Special Record Date but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy, and discharge the liability upon such Bond to the extent of the sum or sums paid. As to any Bond, for all other purposes and on any other date, the Registered Owner shall be regarded as the absolute owner hereof.

The Trustee shall require the payment by any Bondholder requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Company shall, under the Loan Agreement, be liable to pay all expenses and charges of the City and of the Trustee in connection with such exchange or transfer.
Section 2.6  **Lost, Stolen, Destroyed and Mutilated Bonds.** Upon receipt by the City and the Trustee of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Bond and, in the case of a lost, stolen or destroyed Bond, of indemnity satisfactory to the Trustee and upon surrender and cancellation of the Bond, if mutilated, (a) the City shall execute, and the Trustee shall authenticate and deliver, a new Bond of the same maturity, series and denomination in lieu of such lost, stolen, destroyed or mutilated Bond or (b) if such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, in lieu of executing and delivering a new Bond as aforesaid, the City may pay such Bond. Any such new Bond shall bear a number not contemporaneously Outstanding. The applicant for any such new Bond may be required to pay all expenses and charges of the City and of the Trustee in connection with the issuance of such Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen bonds, negotiable instruments or other securities.

Section 2.7  **Delivery of Bonds.** Upon the execution and delivery of this Indenture, the City shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds and deliver them to the initial purchasers thereof as directed by the City and as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Bonds, all conditions precedent to the disbursal of proceeds of the Bonds from the Project Fund, as specified in Section 3.10 hereof, shall have been satisfied or waived by the holders of 100% of the Bonds, and there shall have been filed with or delivered to the Trustee the following:

(a) a resolution duly adopted by the City, certified by the City Clerk thereof, authorizing the financing of the Cost of the Project, the execution and delivery of the Loan Agreement, the Ground Lease, the Lease and this Indenture and the issuance of the Bonds;

(b) a duly executed copy of this Indenture;

(c) a duly executed copy of the Loan Agreement;

(d) a duly executed copy of the Assignment;

(e) a duly executed copy of the Ground Lease;

(f) a duly executed copy of the Lease; and

(g) the written order of the City as to the delivery of the Bonds signed by an City Representative.

Section 2.8  **Trustee's Authentication Certificate.** The Trustee's authentication certificate upon the Bonds shall be substantially in the form and tenor herein provided. No Bond shall be secured hereby or entitled to the benefit hereof, or shall be valid or obligatory for any purpose, unless the certificate of authentication, substantially in such form, has been duly executed by the Trustee; and such certificate of the Trustee upon any Bond shall be conclusive evidence and the only competent evidence that such Bond has been authenticated and delivered.
The Trustee's certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer of the Trustee, but it shall not be necessary that the same person sign the signed certificate of authentication on all of the Bonds issued hereunder.

**Section 2.9 Cancellation and Destruction of Bonds by the Trustee.** Whenever any Outstanding Bonds shall be delivered to the Trustee for the cancellation thereof pursuant to this Indenture, upon payment of the principal amount or interest represented thereby, or for replacement pursuant to Section 2.6 hereof such Bonds shall be promptly canceled and destroyed by the Trustee and counterparts of a certificate of destruction evidencing such destruction shall be furnished by the Trustee to the City and the Company.

**Section 2.10 Temporary Bonds.** Pending the preparation of definitive Bonds, the City may execute and the Trustee shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as fully registered Bonds without coupons, of any denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the City. Every temporary Bond shall be executed by the City and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable the City shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor at the principal office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

**Section 2.11 Transfer Restrictions.** Upon a transfer of a Beneficial Ownership Interest in a Series 2006B Bond (other than a transfer by the Underwriter pursuant to the initial sale of the Series 2006B Bonds), each purchaser of such Beneficial Ownership Interest shall be deemed to have certified to the Trustee and acknowledged, represented and agreed with the Company and the Underwriter that such purchaser is acquiring the Series 2006B Bond for its own account, and that it is (a) a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended, or (b) an institutional "accredited investor," as defined in Rule 501(a)(1), (2), (3), or (7) of the Securities Act of 1933, as amended. The foregoing transfer restrictions shall not apply if (a) the Trustee has received a municipal bond insurance policy or other form of credit enhancement securing payment of principal and interest on the Series 2006B Bonds, provided that the policy provider or credit enhancer is rated in one of the three highest categories by a Rating Agency and such insurance policy or credit enhancement has a term not less than the final maturity of the Series 2006B Bonds (or, if shorter, may be drawn upon in full upon its expiration), or (b) a Rating Agency has assigned the Series 2006B Bonds a rating of at least "Baa3" or "BBB," without any form of third party credit enhancement. A legend shall be printed on the face of each Series 2006B Bond indicating the foregoing.

**Section 2.12 Limited Obligations.** PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY OUT OF THE PLEDGED REVENUES. THE BONDS DO NOTconstitute an INDEBTEDNESS OF THE CITY, THE SCHOOL

ARTICLE III

REVENUES AND FUNDS

Section 3.1 Pledge of Trust Estate. Subject only to the rights of the City to apply amounts under the provisions of this Article III, a pledge of the Trust Estate to the extent provided herein is hereby made, and the same is pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds. The City hereby covenants that it has not, as of the date hereof, granted and shall not grant any pledge on the Trust Estate which is prior to the pledge in favor of the Bonds. The pledge hereby made shall be valid and binding from and after the time of the delivery by the Trustee of the first Bond authenticated and delivered under this Indenture. The security so pledged and then or thereafter received by the City shall immediately be subject to the lien of such pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the City, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City irrespective of whether such parties have notice thereof.

Section 3.2 Establishment of Funds and Accounts. The City hereby establishes and creates the following Funds for the Bonds and may create accounts within such funds, all of which shall be special trust funds and accounts held by the Trustee:

(a) Revenue Fund;
(b) Bond Principal Fund;
(c) Bond Interest Fund; and a Series 2006A Subaccount and a Series 2006B Subaccount therein;
(d) Debt Service Reserve Fund;
(e) Repair and Replacement Reserve Fund;
(f) Project Fund;
(g) Cost of Issuance Fund;

(h) Operating Expense Fund; and

(i) Rebate Fund.

Section 3.3 Payments into and use of Monies in the Revenue Fund. In satisfaction of its obligations arising under the Lease, the City shall cause all Charter Revenues, Additional Revenue and all other amounts payable by the City under the Lease to be delivered directly to the Trustee for deposit in the Revenue Fund. Amounts in the Revenue Fund and any investment income transferred to the Revenue Fund pursuant to Section 6.3 hereof shall be applied by the Trustee on the last Business Day of each month as follows, to the extent of funds on deposit in the Revenue Fund:

(a) first, to the Bond Interest Fund, 1/6 of the installment of interest due on the Bonds on the next Interest Payment Date (after credit for any capitalized interest), plus any deficiencies for any previous month's deposit;

(b) second, commencing January 1, 2009, to the Bond Principal Fund, 1/6 of the installment of principal due on the Bonds on the next Interest Payment Date, plus any deficiencies for any previous month's deposit;

(c) third, to the Debt Service Reserve Fund, to the extent the amounts on deposit therein shall be less than the Debt Service Reserve Fund Requirement, the amount of any deficiency;

(d) fourth, to the Operating Expense Fund, the amount budgeted for the next succeeding month for the payment of Operating Expenses for the Project (other than amounts payable to the Manager under the Management Agreement, to the Developer under the Property Management Agreement or to the Developer under the Development Agreement);

(e) fifth, to the Repair and Replacement Reserve Fund, an amount equal to (i) $14,600 per month during the Fiscal Year ending in 2007, (ii) $27,100 per month during the Fiscal Year ending in 2008, and (iii) thereafter, all remaining amounts, to the extent the amounts on deposit therein shall be less than the Repair and Replacement Reserve Fund Requirement; and

(f) sixth, remaining amounts will be (i) applied first to reimburse the City for any amounts advanced pursuant to Section 6.8 of the Lease Agreement and thereafter will (ii) be deposited with the Company, to be used only (A) in connection with the operation and maintenance of the Project, or (B) in connection with the expansion of the Project or the acquisition of other real or personal property to be used in connection therewith, or (C) for the payment of any amounts payable under (a) through (e) above, or (D) to the payment of amounts due under the Management Agreement or the Property Management Agreement, or (E) to the payment of unpaid annual Development Agreement installments, or (F) to establish or maintain reserves or amounts necessary to assure compliance with the Loan Agreement. Such amounts may also be distributed to The Lee Charter Foundation, Inc., the sole member of the Company, or may be paid to the City, the Manager, the sole member of the Manager, or any successor

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manager, in each case to reimburse any such person for permitted expenditures relating to the Project.

**Section 3.4 Payments Into the Bond Principal Fund and the Bond Interest Fund.** There shall be deposited into the Bond Interest Fund all accrued interest, if any. In addition, there shall be deposited into the Bond Principal Fund or the Bond Interest Fund, as appropriate, and as and when received (a) all moneys transferred to the Bond Interest Fund and the Bond Principal Fund from the Revenue Fund pursuant to this Indenture, (b) all moneys transferred to the Bond Interest Fund and the Bond Principal Fund from the Project Fund pursuant to this Indenture, (c) all moneys transferred to the Bond Interest Fund and the Bond Principal Fund from the Debt Service Reserve Fund pursuant to this Indenture, (d) all other moneys required or permitted to be deposited into the Bond Principal Fund or Bond Interest Fund pursuant to the Loan Agreement or this Indenture, including any supplements to this Indenture, and (e) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or this Indenture that such moneys are to be paid into the Bond Principal Fund or Bond Interest Fund. There shall also be retained in the Bond Principal Fund and Bond Interest Fund, interest and other income received on investment of moneys in the Bond Principal Fund and Bond Interest Fund to the extent provided in Section 6.3 hereof.

**Section 3.5 Use of Monies in the Bond Principal Fund and the Bond Interest Fund.** Except as provided in this Section and in Sections 3.12, 3.17, 6.3 and 8.5 hereof, monies in the Bond Principal Fund shall be used solely for the payment of the principal of and premium, if any, on the Bonds, and monies in the Bond Interest Fund shall be used solely for the payment of the interest on the Bonds. Monies in the Series 2006A Subaccount shall be used solely for the payment of interest on the Series 2006A Bonds and monies in the Series 2006B Subaccount shall be used solely for the payment of interest on the Series 2006B Bonds. Whenever the total amount in the Bond Principal Fund and the Bond Interest Fund is sufficient to redeem all of the Bonds Outstanding and to pay interest to accrue thereon prior to such redemption, and redemption premium, if any, the City, subject to the requirements of the Loan Agreement, covenants to take and cause to be taken the necessary steps to redeem all of the Bonds on the redemption date for which the required redemption notice has been given.

**Section 3.6 Custody of the Bond Principal Fund and the Bond Interest Fund.** The Bond Principal Fund and the Bond Interest Fund shall be in the custody of the Trustee but in the name of the City, and the City authorizes and directs the Trustee to withdraw sufficient funds from the Bond Principal Fund to pay the principal of and premium, if any, on the Bonds as the same become due and payable, and to withdraw sufficient funds from the Bond Interest Fund to pay the interest on the Bonds as the same becomes due and payable or to make transfers to the Rebate Fund pursuant to Section 3.17 hereof.

**Section 3.7 Payments Into the Debt Service Reserve Fund.** There shall be deposited into the Debt Service Reserve Fund $1,708,555 of proceeds of the Bonds. There shall also be deposited into the Debt Service Reserve Fund (a) all moneys required to be deposited therein pursuant to the Loan Agreement or this Indenture, and (b) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or this Indenture that such moneys are to be paid into such account.
Income from investment of the Debt Service Reserve Fund shall be retained in the Debt Service Reserve Fund to the extent described in Section 6.3 hereof. Anything in this Indenture to the contrary notwithstanding, moneys on deposit in the Debt Service Reserve Fund shall be invested so as not to be in violation of the yield restrictions set forth in the Tax Certificates. Permitted Investments relating to moneys in the Debt Service Reserve Fund shall be valued by the Trustee in the manner contemplated in this Indenture. If any such valuation reveals that the value of such Permitted Investments is less than the Debt Service Reserve Fund Requirement with respect to the Bonds then Outstanding, the Trustee shall immediately notify the Company and the City of the amount of the difference between the amount derived by such valuation and the Debt Service Reserve Requirement, which difference shall be deposited by the Company in the Debt Service Reserve Fund by making the deposits required by the Loan Agreement.

Section 3.8 Use of Moneys in the Debt Service Reserve Fund. Except as required with respect to Section 3.17 hereof, moneys in the Debt Service Reserve Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Principal Fund and Bond Interest Fund are insufficient to make such payments when due, whether on an Interest Payment Date, redemption date, sinking fund redemption date, maturity date or otherwise:

(a) Upon the occurrence of an Event of Default hereunder and pursuant to the written direction of the Significant Bondholders, any moneys in the Debt Service Reserve Fund may be applied for any purpose provided in this Indenture or any other lawful purpose including, without limitation, payment of the fees and expenses of counsel to the Trustee, provided, however, that the Trustee may require an Opinion of Counsel to the effect that application of the Debt Service Reserve Fund, as directed, will not cause interest on the Series 2006A Bonds to be included in gross income for federal income tax purposes.

(b) Any moneys in the Debt Service Reserve Fund may be used to pay the principal of and interest on such Bonds on the final maturity date.

(c) In the event of the redemption of the Bonds in whole, any moneys in the Debt Service Reserve Fund shall be transferred to the Bond Principal Fund and applied to the payment of the principal of and premium, if any, on such Bonds.

Section 3.9 Custody of the Debt Service Reserve Fund. The Debt Service Reserve Fund shall be in the custody of the Trustee and held solely for the benefit of the Bondholders and the City hereby authorizes and directs the Trustee to withdraw sufficient funds from the Debt Service Reserve Fund to pay the principal of, premium, if any, and interest on the Bonds and for the purpose described in Sections 3.8(a) and 3.17 hereof, which authorization and direction the Trustee hereby accepts.

Section 3.10 Project Fund. Certain proceeds of the Bonds (other than amounts deposited to the Debt Service Reserve Fund, the Cost of Issuance Fund or the Bond Interest Fund, and after payment to the Company of $850,000 to be used for working capital requirements of the Company relating to marketing and enrollment for the Project), shall be deposited in the Project Fund as set forth in Section 2.3 hereof. In addition, there shall be deposited in the Project Fund any moneys required to be transferred to the Project Fund pursuant
to the investment provisions of this Indenture, and all other moneys the Company may make available in its discretion to pay the reasonable or necessary costs incidental to the acquisition, construction, improvement or equipping of the Facilities and all other necessary and incidental expenses in connection with the foregoing.

Funds shall be disbursed from the Project Fund pursuant to this Section 3.10 and Section 4.3 of the Loan Agreement.

The Trustee shall keep and maintain adequate records pertaining to the Project Fund, and all payments therefrom, which shall be open to inspection by the Company, Registered Owners of the Bonds, the Beneficial Owners or their duly authorized agents during normal business hours of the Trustee. After the Completion Date, the Trustee shall file a statement of income and disbursements with respect to the Project Fund with the Company and provide a copy of the same to each of the Notice Beneficial Owners. Any moneys remaining in the Project Fund after the Completion Date shall, at the option and written direction of the Company, (a) be transferred to the Bond Principal Fund and used to redeem Bonds on the next succeeding Interest Payment Date on which the Bonds shall be subject to redemption, or (b) be applied to provide for additional improvements to or equipment for the Facilities.

At or prior to the initial disbursement of proceeds of the Bonds from the Project Fund hereof, the Company shall deliver the following to the Trustee:

(a) a detailed estimate of the costs of the Facilities, indicating the gross costs, including all hard and soft costs, including, without limitation, the cost of all equipment to be acquired, showing that the moneys in the Project Fund, together with the Company's reasonable estimate of the investment earnings to be deposited therein, are sufficient to pay all costs of completing the Facilities, certified by the Construction Representative to the best of his or her knowledge and belief, upon due inquiry, to be correct;

(b) a satisfactory commitment for an ALTA policy of mortgagee's title insurance with liability not less than the maximum principal amount of the Outstanding Bonds, showing the Loan Agreement to be a valid first lien on the Facilities and the Company's leasehold interest in the Site, subject only to Permitted Liens, in such form, containing only such exceptions and containing such endorsements as are satisfactory to the Trustee. The expense of such policy endorsements shall be borne by the Company;

(c) a property survey on the Site;

(d) an as-built appraisal of the Facilities and the Site;

(e) certificates satisfactorily evidencing continuing compliance with the insurance requirements of the Loan Agreement;

(f) a Phase One Environmental Survey of the Site;

(g) such other certificates of the Trustee or the Company as may reasonably be required by Bond Counsel to evidence compliance with the terms of this Indenture; and
At or prior to disbursements of proceeds of the Bonds to the general contractor, there will be delivered to the Trustee a performance and payment bond as required by Florida Statutes, Section 255.05 covering faithful performance of the construction contract for the Facilities.

Delivery of any of the foregoing may be waived by the holders of 100% of the Bonds.

Upon the occurrence of an Event of Default under this Indenture and the exercise by the Trustee of the remedies specified in the Loan Agreement and this Indenture, any moneys in the Project Fund shall be applied as provided in Section 8.5 of this Indenture.

Section 3.11 Custody of the Project Fund. The Project Fund shall be in the custody of the Trustee but in the name of the City, and the City authorizes and directs the Trustee, on the requisition of the Company Representative conforming with Section 4.3 of the Loan Agreement, to withdraw sufficient funds from the Project Fund to pay the Cost of the Project, and without such requisition to make required transfers pursuant to Sections 3.17 and 8.5 hereof, which authorization and direction the Trustee hereby accepts.

Section 3.12 Nonpresentment of Bonds. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity, the date fixed for redemption thereof, or otherwise, if collected funds sufficient for the payment thereof shall have been deposited in the Bond Principal Fund and the Bond Interest Fund or otherwise made available to the Trustee for deposit therein, all liability of the City to the owner or owners thereof for the payment of such Bonds shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds in a separate trust account for the benefit of the owner or owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her or their part under this Indenture with respect to said Bond or on, or with respect to, said Bond. The Trustee shall be under no obligation to, and shall not be required to, invest such funds pending payment of the Bonds.

Section 3.13 Monies to Be Held in Trust. All monies required to be deposited with or paid to the Trustee under any provision of this Indenture shall be held by the Trustee in trust for the purposes specified in this Indenture and, except for monies deposited with or paid to the Trustee for the redemption of Bonds for which the notice of redemption has been duly given, shall, while held by the Trustee, constitute part of the Trust Estate (other than the Rebate Fund) and be subject to the lien hereof and not subject to attachment or any other lien by any other creditor in the event of bankruptcy nor be available for general operations of the Company in the event of bankruptcy.

Section 3.14 Repayment From the Funds. Any amounts remaining in the Funds after payment in full of the Bonds (or making provision for such payment in accordance with Article VII), the fees and expenses of the Trustee, and all other amounts required to be paid hereunder and under the Loan Agreement to the City and the Trustee and all other amounts required to be paid hereunder and under the Loan Agreement shall, upon the expiration of the term of the Loan Agreement, be paid as the Company Representative shall direct in writing.
Section 3.15 Creation of Additional Accounts and Subaccounts; Transfers of Monies Among Funds. The Trustee may, and at the written request of the Company Representative and the City, shall establish such additional accounts within any of the Funds established under this Indenture, and subaccounts within any of the accounts established under this Indenture, as shall be specified in such written request, for the purpose of identifying more precisely the sources of payments into and disbursements from such Funds, accounts and subaccounts; but the establishment of any such additional accounts or subaccounts shall not alter or modify any of the requirements of this Indenture with respect to the deposit or use of the monies in any Fund established hereunder.

Section 3.16 Rebate Fund. There is hereby created and established with the Trustee for the benefit of the United States of America a Rebate Fund in the name of the City which shall be expended in accordance with the provisions hereof and the Tax Certificates. The Company shall be responsible for making all such deposits to the Rebate Fund as required in the Tax Certificates and Section 5.1 of the Loan Agreement. The Trustee shall invest the Rebate Fund at the written direction (or by oral instruction promptly confirmed in writing) of the Company Representative but solely in Government Obligations and shall deposit income from said investments immediately upon receipt thereof in the Rebate Fund. For purposes of determining rebate calculations that may be required with respect thereto pursuant to the Tax Certificates, the Company may employ, at its own expense, a Rebate Analyst. The Tax Certificates may be superseded or amended by a certificate of the Company, accompanied by an Opinion of Bond Counsel addressed to the Company and the Trustee to the effect that the use of said new certificate will not adversely affect the exclusion of interest on the Series 2006A Bonds from gross income of the recipients thereof for purposes of federal income taxation.

Section 3.17 Rebate Deposits. The Trustee shall make the rebate deposit described in the Tax Certificates based upon the written instructions of the Company Representative. If a withdrawal from the Rebate Fund is permitted as a result of such computation because no rebate payments are required to be made, the amount withdrawn shall be deposited in the Bond Principal Fund. Record of the determinations required by this Section must be retained by the Company Representative and the Trustee until six years after the final retirement of the Series 2006A Bonds.

If the monies on deposit in the Rebate Fund are insufficient for the purposes thereof, the Trustee shall transfer monies to the Rebate Fund from the following Funds in the following order of priority: the Repair and Replacement Reserve Fund, the Project Fund, the Debt Service Reserve Fund, the Bond Principal Fund and the Bond Interest Fund.

Section 3.18 Rebate Disbursements. Not later than 60 days after the last day of the fifth Bond Year, as defined in the Tax Certificates, and every five years thereafter, the Trustee shall pay to the United States 90% of the amount, at the written direction of the Rebate Analyst, on deposit in the Rebate Fund as of such payment date. No later than 60 days after the final retirement of the Series 2006A Bonds, the Trustee shall pay to the United States 100% of the balance remaining in the Rebate Fund (or such lesser amount as shall be due and owing to the United States). Nothing herein shall relieve the Company of its obligation to pay the rebate amount in accordance with Section 5.1(f) of the Loan Agreement. Each payment required to be paid to the United States pursuant to this Section shall be filed with the Internal Revenue Service.
Center, Philadelphia, Pennsylvania 19255. Each payment shall be accompanied by a copy of the Internal Revenue Form 8038 originally filed with respect to the Series 2006A Bonds, Internal Revenue Form 8038-T and, if necessary, a statement summarizing the determination of the amount to be paid to the United States.

**Section 3.19 Tax Certificates.** The use and investment of monies in any of the Funds shall be subject to the provisions of the Tax Certificates, and the City and the Trustee, in the performance of their duties thereunder, agree to comply with the same. Trustee shall have no responsibility for rebate calculations and shall have no liability for actions taken at the direction of the Company or Rebate Analyst.

**Section 3.20 Operating Expense Fund.** There shall be deposited into the Operating Expense Fund (a) all moneys required or permitted to be deposited into the Operating Expense Fund pursuant to the Loan Agreement or this Indenture, and (b) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or this Indenture that such moneys are to be paid into the Operating Expense Fund.

Moneys on deposit in the Operating Expense Fund shall be used for payment of ordinary and necessary Operating Expenses of the Company (other than payments to the Manager under the Management Agreement, payments to the Developer under the Property Management Agreement and payments to the Developer under the Development Agreement). The Trustee is authorized and directed to issue its checks on the Operating Expense Fund as directed by the Company, including transfers to an account of the Company to be applied to payment of Operating Expenses in accordance with the Loan Agreement, in an aggregate amount each month not exceeding the amount shown for Operating Expenses in the Annual Budget provided by the Company pursuant to Section 8.4 of the Loan Agreement plus such other Operating Expenses as are specifically authorized in the Loan Agreement.

Upon the occurrence of an Event of Default under this Indenture and the exercise by the Trustee of the remedies specified in the Loan Agreement and this Indenture, any moneys in the Operating Expense Fund shall be transferred by the Trustee to the Bond Interest Fund and, with respect to any moneys in excess of the amount required to pay interest on the Bonds, to the Bond Principal Fund. In the event of a prepayment of the Loan in full pursuant to the Loan Agreement, any moneys in the Operating Expense Fund may be transferred to the Bond Principal Fund and shall be applied to the payment of the principal of and premium, if any, on the Bonds.

**Section 3.21 Custody of the Operating Expense Fund.** The Operating Expense Fund shall be in the custody of the Trustee, and the City authorizes and directs the Trustee, on the requisition of the Company Representative, to withdraw sufficient funds from the Operating Expense Fund as provided in Section 3.20(a), and without such requisition to make required transfers (a) to the Rebate Fund pursuant to Section 3.17 hereof, or (b) as provided in Section 3.20(b), which authorization and direction the Trustee hereby accepts.

**Section 3.22 Repair and Replacement Reserve Fund.** There shall be deposited into the Repair and Replacement Reserve Fund (a) all moneys required or permitted to be deposited into the Repair and Replacement Reserve Fund pursuant to the Loan Agreement or this Indenture, and (b) all other moneys received by the Trustee when accompanied by directions not
inconsistent with the Loan Agreement or this Indenture that such moneys are to be paid into the Repair and Replacement Reserve Fund.

Moneys on deposit in the Repair and Replacement Reserve Fund shall be used to pay the cost of items properly chargeable to the capital account of the Company under generally accepted accounting principles for the repair or replacement of real or personal property constituting a part of the Improvements under generally accepted accounting principles. Amounts on deposit in the Repair and Replacement Reserve Fund may not be used for capital costs of new construction or new property which is neither a renewal nor a replacement of the Improvements except with the written consent of the Beneficial Owners of a majority of the Outstanding Bonds. Moneys in the Repair and Replacement Reserve Fund shall be disbursed by the Trustee upon receipt of a certificate of a Company Representative, substantially in the form of EXHIBIT B attached hereto, requesting funds from the Repair and Replacement Reserve Fund, describing the intended use of such funds by item and amount, and attesting that the requested amount will be used only for such purposes. The Trustee is authorized and directed to issue its checks on the Repair and Replacement Reserve Fund for each payment pursuant to the Loan Agreement. Amounts on deposit in the Repair and Replacement Reserve Fund in excess of the Repair and Replacement Reserve Fund Requirement shall be transferred to the Revenue Fund.

Upon the occurrence of an Event of Default under this Indenture and the exercise by the Trustee of the remedies specified in the Loan Agreement and this Indenture, any moneys in the Repair and Replacement Reserve Fund shall be transferred by the Trustee to the Bond Interest Fund and, with respect to any moneys in excess of the amount required to pay interest on the Bonds, to the Bond Principal Fund. In the event of a prepayment of the Loan in full pursuant to the Loan Agreement, any moneys in the Repair and Replacement Reserve Fund shall be transferred to the Bond Principal Fund and shall be applied to the payment of the principal of and premium, if any, on the Bonds.

Section 3.23 Custody of the Repair and Replacement Reserve Fund. The Repair and Replacement Reserve Fund shall be in the custody of the Trustee, and the City authorizes and directs the Trustee, on the requisition of the Company Representative, to withdraw sufficient funds from the Repair and Replacement Reserve Fund to pay the costs specified in Section 3.22(a), and without such requisition to make required transfers (a) to the Rebate Fund pursuant to Section 3.17 hereof, or (b) as provided in Section 3.22(b), which authorization and direction the Trustee hereby accepts.

Section 3.24 Cost of Issuance Fund. The Company shall deposit to the Cost of Issuance Fund (a) $275,500 from proceeds of the Series 2006A Bonds, and (b) $69,500 from additional proceeds deposited by the City. The Trustee shall transfer amounts from the Cost of Issuance Fund as directed by the Company. The Trustee shall keep and maintain adequate records pertaining to the Cost of Issuance Fund, and all payments therefrom, which shall be open to inspection by the Company, Registered Owners of the Bonds, the Beneficial Owners, or their duly authorized agents during normal business hours of the Trustee. If any funds remain in the Cost of Issuance Fund on the earlier of the receipt by the Trustee of a certificate of the Company stating that all of the Cost of Issuance has been paid or ninety (90) days from the date of issuance
and delivery of the Bonds, the Trustee shall transfer any funds remaining in the Cost of Issuance Fund to the Project Fund and close the Cost of Issuance Fund.

Section 3.25 Custody of the Cost of Issuance Fund. The Cost of Issuance Fund shall be in the custody of the Trustee but in the name of the City, and the City authorizes and directs the Trustee, on the requisition of the Company Representative, to withdraw sufficient funds from the Cost of Issuance Fund to pay a portion of the costs incurred in connection with the authorization, issuance and sale of the Bonds, which authorization and direction the Trustee hereby accepts.

ARTICLE IV

COVENANTS OF THE CITY

Section 4.1 Performance of Covenants. The City covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond and in all proceedings of the City pertaining thereto. The City covenants, represents, warrants and agrees that it is duly authorized under the laws of the State of Florida, including particularly and without limitation, the Act, to issue the Bonds and to execute this Indenture, to pledge the property described herein and pledged hereby and to pledge the Trust Estate in the manner and to the extent herein set forth, that all actions on its part required for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken or will be duly taken as provided herein, and that this Indenture is a valid and enforceable instrument of the City and that the Bonds in the hands of the owners thereof are and will be valid and enforceable obligations of the City according to the terms thereof.

Section 4.2 Instruments of Further Assurance. The City covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging and hypothecating unto the Trustee all and singular the Trust Estate to the payment of the principal of, premium, if any, and interest on the Bonds.

Promptly after any filing, registration or recording (other than the filing of the Loan Agreement, this Indenture and any financing statements in connection with the issuance of the Bonds) or any re-filing, re-registration or re-recording of this Indenture or the Loan Agreement or any filing, registration, recording, re-filing, re-registration or re-recording of any supplement to either of said instruments, any financing statement or instrument of similar character relating to any of said instruments or any instrument of further assurance which is required pursuant to the preceding paragraph, the City will cause the Company Representative to deliver to the Trustee an opinion of independent counsel to the effect that such filing, registration, recording, re-filing, re-registration or re-recording has been duly accomplished and setting forth the particulars thereof.

Section 4.3 Payment of Principal, Premium, If Any, and Interest. The City will promptly pay or cause to be paid the principal of, premium, if any, and interest on all Bonds
issued hereunder according to the terms hereof. The principal, premium, if any, and interest payments are payable solely from the Trust Estate, which is hereby specifically pledged to the payment thereof in the manner and to the extent herein specified. Nothing in the Bonds or in this Indenture shall be considered or construed as pledging any funds or assets of the City other than those pledged hereby or creating any liability of the City's trustees, employees or other agents.

**Section 4.4 Conditions Precedent.** Upon the date of issuance of any of the Bonds, the City hereby covenants that all conditions, acts and things required of the City by the Constitution or statutes of the State of Florida or by the Act or by this Indenture to exist, to have happened or to have been performed precedent to or in the issuance of the Bonds shall exist, have happened and have been performed.

**Section 4.5 Recordation or Filing of Security Instruments.** Notwithstanding anything herein or in the Loan Agreement to the contrary, the Trustee shall timely file or cause to be filed such financing statements and amendments thereto, including without limitation continuation statements, as may be required by the Uniform Commercial Code with respect to all liens and security interests granted hereunder and under the Loan Agreement for the benefit of the owners of Bonds. The City and the Borrower hereby authorize all such filings with respect to all liens and security interests granted or assigned by the City or the Borrower to the Trustee. The Borrower shall pay or reimburse the Trustee for all reasonable costs incurred by the Trustee in the preparation and filing of any such financing statements or amendments thereto, including without limitation continuation statements, including the reasonable fees and expenses of counsel to the Trustee.

**Section 4.6 Rights Under the Loan Agreement.** The City will observe all of the obligations, terms and conditions required on its part to be observed or performed under the Loan Agreement. The City agrees that wherever in the Loan Agreement it is stated that the City will notify the Trustee, whenever the Loan Agreement gives the Trustee some right or privilege, or in any way attempts to confer upon the Trustee the ability for the Trustee to protect the security for payment of the Bonds, that such part of the Loan Agreement shall be as though it were set out in this Indenture in full.

The City agrees that the Trustee as assignee of the Loan Agreement, to the extent provided herein, may enforce, in its name or in the name of the City, all rights of the City (other than the rights of the City under Sections 5.1(f), 8.5 and 10.4 of the Loan Agreement and other than the rights of the City to perform certain discretionary acts reserved in the Loan Agreement) and all obligations of the Company under and pursuant to the Loan Agreement for and on behalf of the Bondholders, whether or not the City is in default hereunder.
ARTICLE V

REDEMPTION OF BONDS PRIOR TO MATURITY

Section 5.1 Optional Redemption. Series 2006A Bonds shall be subject to redemption prior to maturity, in whole or in part, at the written direction of the Company ("Optional Redemption"), on March 1, 2016, and on any date thereafter, at the redemption price set forth below (expressed as a percentage of the principal amount so redeemed), plus accrued interest to the redemption date. Series 2006B Bonds shall not be subject to Optional Redemption prior to maturity.

<table>
<thead>
<tr>
<th>Redemption Period (both dates inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2016 through June 30, 2017</td>
<td>102%</td>
</tr>
<tr>
<td>July 1, 2017 through June 30, 2018</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 2018 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Section 5.2 Extraordinary Mandatory Redemption Upon Occurrence of Certain Events. The Bonds shall be subject to mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date:

(a) from and to the extent of Net Proceeds in excess of $50,000 in the event of damage to or destruction of the Project or in the event of condemnation of the Project or any part thereof, unless within 60 days of the damage or destruction or condemnation, as the case may be, the Company shall furnish to the Trustee the items required by this Indenture to demonstrate the feasibility of restoring the Project, such redemption to take place within 120 days of such event;

(b) from and to the extent of excess Net Proceeds in excess of $1,000,000, such redemption to take place within 60 days after it is determined that there are excess funds;

(c) from and to the extent of moneys made available as a result of release of lands or granting of easements pursuant to this Indenture, such redemption to take place as soon as practicable after notice of redemption can be given pursuant to the terms of this Indenture;

(d) from and to the extent of proceeds of the Bonds which are on deposit with the Trustee in the Project Fund after the Completion Date, such redemption to take place as soon as practicable after notice of redemption can be given pursuant to the terms of this Indenture; and

(e) following a termination of the Lease and subject to the written consent of the owners or Beneficial Owners of a majority in Bonds Outstanding.
Section 5.3 Extraordinary Optional Redemption Upon Occurrence of Certain Events. The Bonds may, at the option of the City and at the written direction of the Company, but in each case subject to the written consent of the owners or Beneficial Owners of a majority of Bond Outstanding, be called in part for redemption at a redemption price equal to 100% of the principal amount thereof redeemed plus accrued interest to the Redemption Date:

(a) at any time, in the event the Charter is terminated or not renewed; and

(b) at any time within the first 24 months after the date of issue of the Bonds, in the event the student enrollment at the Project is 75% or less of the projected enrollment for the Project.

Section 5.4 Mandatory Redemption Upon Determination of Taxability. The Series 2006A Bonds are subject to mandatory redemption and payment prior to the stated maturity thereof in whole (or in part as described below), at a redemption price equal to one hundred five percent (105%) of the principal amount thereof, plus accrued interest to the redemption date, on any day within one hundred twenty (120) days after the occurrence of a Determination of Taxability. A "Determination of Taxability" shall be deemed to have occurred if a final decree or judgment of any federal court or a final action of the Internal Revenue Service is taken which determines that interest paid or payable on any Series 2006A Bond is or was includable in the gross income of any bondowner, beneficial owner, former bondowner or former beneficial owner for federal income tax purposes under the Code. No such decree, judgment or action will be considered final for this purpose, however, unless the Company has been given written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any bondowner, beneficial owner, former bondowner or former beneficial owner of a Series 2006A Bond and until the expiration of any period to request appellate review, if no appellate review is sought, or until conclusion of any appellate review, if appellate review is sought.

If an Opinion of Bond Counsel is delivered to the Trustee stating that the redemption of fewer than all of the Series 2006A Bonds would result in the interest on the Series 2006A Bonds outstanding following such redemption not being includable in the gross income for federal income tax purposes of the holders of such Series 2006A Bonds Outstanding, then fewer than all of the Series 2006A Bonds may be redeemed in the amount specified in such opinion, provided that such redemption must be in authorized denominations. If fewer than all Series 2006A Bonds are redeemed, the Trustee shall select the Series 2006A Bonds to be redeemed by lot or by such other method acceptable to the Trustee as may be approved in an Opinion of Bond Counsel.
Section 5.5 **Mandatory Sinking Fund Redemption.** The Series 2006A Bonds maturing on July 1, 2022, are subject to mandatory sinking fund redemption in part by lot, on July 1, 2009, and on each January 1 and July 1 thereafter until and including July 1, 2022, at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory sinking fund payments which are required to be made as set forth below:

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Principal Amount</th>
<th>Payment Date</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2009</td>
<td>$ 20,000</td>
<td>January 1, 2016</td>
<td>$190,000</td>
</tr>
<tr>
<td>January 1, 2010</td>
<td>10,000</td>
<td>July 1, 2016</td>
<td>195,000</td>
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<tr>
<td>July 1, 2010</td>
<td>15,000</td>
<td>January 1, 2017</td>
<td>205,000</td>
</tr>
<tr>
<td>January 1, 2011</td>
<td>10,000</td>
<td>July 1, 2017</td>
<td>210,000</td>
</tr>
<tr>
<td>July 1, 2011</td>
<td>20,000</td>
<td>January 1, 2018</td>
<td>220,000</td>
</tr>
<tr>
<td>January 1, 2012</td>
<td>15,000</td>
<td>July 1, 2018</td>
<td>220,000</td>
</tr>
<tr>
<td>July 1, 2012</td>
<td>15,000</td>
<td>January 1, 2019</td>
<td>240,000</td>
</tr>
<tr>
<td>January 1, 2013</td>
<td>155,000</td>
<td>July 1, 2019</td>
<td>235,000</td>
</tr>
<tr>
<td>July 1, 2013</td>
<td>160,000</td>
<td>January 1, 2020</td>
<td>250,000</td>
</tr>
<tr>
<td>January 1, 2014</td>
<td>165,000</td>
<td>July 1, 2020</td>
<td>255,000</td>
</tr>
<tr>
<td>July 1, 2014</td>
<td>175,000</td>
<td>January 1, 2021</td>
<td>265,000</td>
</tr>
<tr>
<td>January 1, 2015</td>
<td>185,000</td>
<td>July 1, 2021</td>
<td>275,000</td>
</tr>
<tr>
<td>July 1, 2015</td>
<td>180,000</td>
<td>January 1, 2022</td>
<td>285,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>July 1, 2022*</td>
<td>290,000</td>
</tr>
</tbody>
</table>

*Final maturity.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]
The Series 2006A Bonds maturing on July 1, 2036, are subject to mandatory sinking fund redemption in part by lot, on January 1, 2023, and on each July 1 and January 1 thereafter until and including July 1, 2036, at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory sinking fund payments which are required to be made as set forth below:

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Principal Amount</th>
<th>Payment Date</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2023</td>
<td>$ 305,000</td>
<td>January 1, 2030</td>
<td>$ 495,000</td>
</tr>
<tr>
<td>July 1, 2023</td>
<td>310,000</td>
<td>July 1, 2030</td>
<td>500,000</td>
</tr>
<tr>
<td>January 1, 2024</td>
<td>325,000</td>
<td>January, 2031</td>
<td>535,000</td>
</tr>
<tr>
<td>July 1, 2024</td>
<td>335,000</td>
<td>July 1, 2031</td>
<td>535,000</td>
</tr>
<tr>
<td>January 1, 2025</td>
<td>350,000</td>
<td>January 1, 2032</td>
<td>570,000</td>
</tr>
<tr>
<td>July 1, 2025</td>
<td>355,000</td>
<td>July 1, 2032</td>
<td>575,000</td>
</tr>
<tr>
<td>January 1, 2026</td>
<td>380,000</td>
<td>January 1, 2033</td>
<td>610,000</td>
</tr>
<tr>
<td>July 1, 2026</td>
<td>380,000</td>
<td>July 1, 2033</td>
<td>615,000</td>
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<tr>
<td>January 1, 2027</td>
<td>405,000</td>
<td>January 1, 2034</td>
<td>660,000</td>
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<td>July 1, 2027</td>
<td>405,000</td>
<td>July 1, 2034</td>
<td>655,000</td>
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<tr>
<td>January 1, 2028</td>
<td>430,000</td>
<td>January 1, 2035</td>
<td>700,000</td>
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<td>July 1, 2028</td>
<td>440,000</td>
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<td>705,000</td>
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<td>January 1, 2029</td>
<td>465,000</td>
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<td>810,000</td>
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<tr>
<td>July 1, 2029</td>
<td>465,000</td>
<td>July 1, 2036*</td>
<td>2,400,000</td>
</tr>
</tbody>
</table>

*Final maturity.
The Series 2006B Bonds are subject to mandatory sinking fund redemption in part by lot, on July 1, 2009 and on each January 1 and July 1 thereafter until and including July 1, 2012, at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory sinking fund payments which are required to be made as set forth below:

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2009</td>
<td>$200,000</td>
</tr>
<tr>
<td>January 1, 2010</td>
<td>110,000</td>
</tr>
<tr>
<td>July 1, 2010</td>
<td>110,000</td>
</tr>
<tr>
<td>January 1, 2011</td>
<td>120,000</td>
</tr>
<tr>
<td>July 1, 2011</td>
<td>120,000</td>
</tr>
<tr>
<td>January 1, 2011</td>
<td>135,000</td>
</tr>
<tr>
<td>July 1, 2012*</td>
<td>130,000</td>
</tr>
</tbody>
</table>

*Final maturity.

Not more than 45 days nor less than 30 days prior to a sinking fund payment date for the Bonds, the Trustee shall proceed to select for redemption (by lot in such manner as the Trustee may determine) from all Bonds of each series and maturity Outstanding which are subject to sinking fund redemption on such date a principal amount of such Bonds equal to the aggregate principal amount of Bonds redeemable with the required sinking fund payment, and shall call such Bonds of such series and maturity for redemption from the particular sinking fund on the next January 1 or July 1, as appropriate, and give notice of such call.

At the option of the Company Representative (so long as no Event of Default has occurred and is continuing) to be exercised by delivery of a written certificate to the Trustee and the City not less than 45 days next preceding any sinking fund redemption date, it may (a) deliver to the Trustee for cancellation Bonds which are subject to sinking fund redemption on such date in an aggregate principal amount designated by the Company Representative, or (b) specify a principal amount of such Bonds of each series and maturity which prior to said date have been redeemed (otherwise than through the operation of such sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation for such Bonds. Each Bond so delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Company on such sinking fund redemption date, and any excess shall be so credited against future sinking fund redemption obligations for Bonds proportionately to all remaining sinking fund payments. In the event the Company Representative shall avail itself of the provisions of clause (a) of the first sentence of this paragraph the certificate required by the first sentence of this paragraph shall be accompanied by the Bonds to be canceled.

Notwithstanding any provision of this Indenture to the contrary, no additional notice shall be required with respect to mandatory sinking fund redemption unless requested by the holders of 100% of the principal amount of the Bonds, and Bonds need not be presented for mandatory sinking fund redemption payment.
Section 5.6  Method of Selecting Bonds. Except as provided in the penultimate paragraph of Section 5.4 hereof, in the event that less than all of the Outstanding Bonds of a series and maturity shall be redeemed, the Bonds of such series and maturity redeemed shall be selected by lot in such manner as the Trustee shall determine, provided that, as to the Series 2006B Bonds, the Trustee shall give proportionate weight to Bonds in denominations larger than $50,000. In case a Series 2006B Bond is of a denomination larger than $50,000, a portion of such Bond may be redeemed, but the unredeemed portion of such Bond shall not be less than $50,000. The Trustee may redeem Series 2006A Bonds so that the unredeemed portion is less than $250,000.

Section 5.7  Notice of Redemption. Bonds shall be called for redemption by the Trustee as herein provided but only if funds have been deposited with the Trustee on or before the date fixed for redemption sufficient to pay the applicable redemption price of the Bonds to be redeemed. Except as otherwise herein provided, the Company shall provide to the Trustee, at least 45 days prior to the redemption date, a Certificate of the Company Representative specifying the principal amount of the Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of this Indenture pursuant to which such Bonds are to be called for redemption, provided that such certificate shall not be required with respect to a sinking fund redemption pursuant to Section 5.4 hereof and Bonds shall be called for redemption by the Trustee pursuant to such Section without the necessity of any action by the City or the Company. In the case of any redemption or tender other than as provided in Section 5.4 hereof, the Trustee shall cause notice of such redemption to be given by mailing not more than 45 days nor less than 30 days prior to the redemption date by first class mail a copy of the redemption notice to the Registered Owner of any Bonds designated for redemption in whole or in part, at their address as the same shall last appear upon the registration books; provided, however, that failure to give such notice or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds for which no such failure or defect occurs.

Notice of any redemption hereunder with respect to Bonds held under a book entry system shall be given by the Registrar only to the Depository, or its nominee, as the Holder of such Bonds. Selection of book entry interests in the Bonds called for redemption, and notice of call to the owners of those interests called, is the responsibility of the Depository, the Direct Participant and the Indirect Participant and any failure of the Depository to advise any Direct Participant and any failure of a Direct Participant or any Indirect Participant to notify the Beneficial Owner of any such notice and its contents or effect will not affect the validity of such notice of any proceedings for the redemption of such Bonds.

Each notice of redemption shall specify the name of the Bonds, the date the Bonds were originally issued, the date fixed for redemption, the date of mailing of the notice, the redemption price, the place or places of payment (including contact person and phone number) the CUSIP numbers of Bonds being redeemed, the rate of interest borne by each Bond being redeemed or tendered, the maturity date of each Bond being redeemed or tendered, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, any conditions to the redemption (including, but not limited to, deposit of the applicable redemption price) and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds are to be
redeemed, the notice of redemption shall specify the Bonds to be redeemed, and the numbers of the Bonds or portions thereof to be redeemed.

Section 5.8 Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue. On or before any redemption pursuant to this Article V, collected funds sufficient to redeem all the Bonds called for redemption at the appropriate redemption price, including accrued interest to the date fixed for redemption, shall be deposited with the Trustee. On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date, and redemption premium, if any, shall become due and payable; from and after such date, notice of redemption having been given, and deposit having been made in accordance with the provisions of this Article V, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given and such deposit having been made), the Bonds to be redeemed shall not be deemed to be Outstanding hereunder, and the City shall be under no further liability in respect thereof.

Section 5.9 Cancellation. All Bonds which have been redeemed shall be canceled by the Trustee and destroyed as provided in Section 2.9 hereof.

Section 5.10 Partial Redemption of Bonds. Upon surrender of any Bond for redemption in part only, the City shall execute, and the Trustee shall authenticate and deliver to the owner thereof, the cost of which shall be paid by the Company, a new Bond or Bonds of the same maturity and series, and of authorized denominations, in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered; provided that the Trustee shall select Bonds for redemption so as to assure that after such redemption no Registered Owner or Owner of Beneficial Interests shall retain Bonds in authorized denominations of not less than the minimum denomination authorized for such Series; and provided further that, if less than all of an Outstanding Bond of one maturity in a book entry system is to be called for redemption, the Trustee shall give notice to the Depository or the nominee of the Depository that is the Holder of such Bond, and the selection of the Beneficial Interests in that Bond to be redeemed shall be at the sole discretion of the Depository and its participants. In the case of a partial redemption of Bonds by lot, each unit of face value of principal thereof equal to $5,000 (each such $5,000 unit is hereinafter referred to as a "Unit") shall be treated as though it were a separate Bond in the amount of such Unit. If it is determined that one or more, but not all, of the Units represented by a Bond are to be called for redemption, then upon notice of redemption of a Unit or Units of Bonds, the holder of that Bond shall surrender the Bond to the Trustee (a) for payment of the redemption price of the Unit or Units of Bonds called for redemption (including without limitation. the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the holder thereof, of a new Bond or Bonds of the minimum denomination authorized for such Series or amounts in excess thereof in such integrals as are permitted hereunder, aggregating a principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Bond surrendered.
ARTICLE VI

INVESTMENTS

Section 6.1 Investment of Funds. Subject to the Section 3.19 hereof, any monies held as part of the Funds shall, on instructions signed by a Corporation Representative, be invested by the Trustee in Permitted Investments (a) with respect to the Project Fund and the Debt Service Reserve Fund maturing in the amounts and at the times necessary to provide funds to make the payments to which such monies are applicable as estimated in a certificate of a Corporation Representative from time to time filed with the Trustee and (b) with respect to the Bond Principal Fund, the Bond Interest Fund and the Rebate Fund maturing in the amounts and at the times necessary to provide funds to make the payments to which such monies are applicable as determined by the Trustee. To the extent practicable, all such Permitted Investments purchased shall mature or be redeemable on a date or dates prior to the time when the monies so invested will be required for expenditure. Permitted Investments in the Debt Service Reserve Fund shall have a maturity of not more than one year. The Trustee shall sell and reduce to cash a sufficient portion of such investments whenever the cash balance in a Fund is insufficient for the purposes of such Fund. The Trustee may make any and all investments permitted by the provisions of this Section through its trust or bond department.

Investments in any of the Funds hereof shall be valued by the Trustee not less often than annually, on or before March 1 of each year, at the market value thereof, exclusive of interest. Deficiencies in the amount on deposit in the Debt Service Reserve Fund resulting from a decline in market value shall be restored by the Company beginning not later than three months after the valuation date by making the deposits required by Section 5.1(i) of the Loan Agreement.

As to any investment agreement, the Trustee shall give notice to any provider of an investment agreement in accordance with the terms of the investment agreement so as to receive funds thereunder when needed with no penalty or premium paid.

Section 6.2 Arbitrage. In reliance upon the covenant of the Company in Section 4.6 of the Loan Agreement, the City hereby covenants for the benefit of each owner of the Series 2006A Bonds that no use will be made of the proceeds of the Series 2006A Bonds or of any monies in the Funds and that no other action shall be taken which will cause the Series 2006A Bonds or any obligations subsequently issued by the City to be "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations prescribed thereunder.

Unless otherwise required by Section 148 of the Code, a City Representative having responsibility with respect to the issuance of the Series 2006A Bonds shall, on or prior to the date of issuance of the Series 2006A Bonds, if applicable, either alone or in conjunction with any other officer, employee, consultant or agent of the City, deliver to the Trustee the certification required by the regulations promulgated under Section 148 of the Code to evidence that such Series 2006A Bonds will not be "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder. Such certificates may rely upon the certificates of the Company delivered to the City pursuant to Section 4.6 of the Loan Agreement.
Section 6.3 Allocation and Transfers of Investment Income. Any investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Fund from which the investment was made. Any loss resulting from such investments shall be charged to such Fund. Any interest or other gain from any Fund from any investment or reinvestment shall be allocated and transferred subject to the Tax Certificates, as follows:

(a) any interest or other gain realized as a result of any investments or reinvestments of moneys in the Project Fund shall be retained in or transferred to the Project Fund;

(b) any interest or other gain realized as a result of any investments or reinvestments of moneys in the Bond Principal Fund and the Bond Interest Fund shall be retained in the respective Fund;

(c) any interest or other gain realized as a result of any investments or reinvestments of moneys in the Debt Service Reserve Fund shall be transferred to the Project Fund during the construction of the Improvements and thereafter shall be credited to the Debt Service Reserve Fund if the amount therein is less than the Debt Service Reserve Fund Requirement. If the amount in the Debt Service Reserve Fund is equal to or greater than the Debt Service Reserve Requirement, such interest or other gain realized shall be paid into the Project Fund, and after the Completion Date, to the Bond Interest Fund;

(d) any interest or other gain realized as a result of any investments or reinvestments of moneys in the Repair and Replacement Reserve Fund shall be credited to the Repair and Replacement Reserve Fund if the amount therein is less than the Repair and Replacement Reserve Requirement, and otherwise to the Revenue Fund;

(e) any interest or gain realized as a result of any investments or reinvestments of money in the Operating Expense Fund shall be transferred to the Revenue Fund;

(f) any interest or other gain realized as a result of any investment or reinvestment of moneys in the Rebate Fund shall be retained in the Rebate Fund; and

(g) notwithstanding the foregoing, any interest or other gain realized as a result of any investments or reinvestments of moneys in Funds pursuant to this Indenture shall first be deposited in the Rebate Fund to the extent amounts required to be deposited therein pursuant to this Indenture have not been so deposited.

ARTICLE VII

DISCHARGE OF INDENTURE

Section 7.1 Discharge of This Indenture. If, when the Bonds secured hereby shall be paid in accordance with their terms (or payment of the Bonds has been provided for in the manner set forth in the following paragraph), together with all other sums payable hereunder, then this Indenture and the Trust Estate and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. Also, if all Outstanding Bonds secured hereby shall have been purchased by the Company and delivered to the Trustee for cancellation, and all other sums payable hereunder have been paid, or provision shall have been
made for the payment of the same, then this Indenture and the Trust Estate and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such events, upon the request of the City, the Trustee shall assign and transfer to the City all property then held by the Trustee hereunder and shall execute such documents as may be reasonably required by the City (including undertakings by the Company to continue to comply with its covenants contained in Sections 4.6, 5.1, 8.5 and 10.4 of the Loan Agreement until all Bonds are actually paid) and shall turn over any surplus in any Fund as the Company Representative shall direct in writing, other than the Rebate Fund.

Payment of any Outstanding Bonds prior to the maturity or redemption date thereof shall be deemed to have been provided for within the meaning and with the effect expressed in this Section if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Company Representative shall have given to the Trustee in form satisfactory to it irrevocable instructions to give on a date in accordance with the provisions of Section 5.6 hereof notice of redemption of such Bonds on said redemption date, such notice to be given in accordance with the provisions of Section 5.6 hereof, (b) there shall have been deposited with the Trustee Government Obligations described in Section (a)(i) of the definition of such term as set forth herein which shall not contain provisions permitting the redemption thereof at the option of the issuer before the date the principal thereof will be required, the principal of and the interest on which when due, and without any reinvestment thereof, will provide monies which, together with any other available monies, if any, deposited with or held by the Trustee at the same time, shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be (and if on the date of such deposit, the Bonds are not actually paid in full, then there shall be provided to the Trustee and the City (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Bonds in full and (ii) an Opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding under this Indenture), and (c) in the event said Bonds are not by their terms subject to redemption within the next 45 days, the Company Representative shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to Section 5.6 hereof, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that payment of said Bonds has been provided for in accordance with this Section and stating such maturity or redemption date upon which monies are to be available for the payment of the principal of and premium, if any, and interest on said Bonds. At such time as payment of any Bonds has been provided for as aforesaid, such Bonds shall no longer be secured by or entitled to the benefits of this Indenture except for the purpose of any payment from such monies or securities deposited with the Trustee. The Company will use its best efforts to obtain from the Rating Agencies the assignment of a rating to the Bonds that have been defeased pursuant to this Section 7.1.

The release of the obligations of the City under this Section shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements incurred on or about the administration of the trust hereby created and the performance of its powers and duties hereunder.
Section 7.2 Liability of City Not Discharged. Upon compliance with the provisions of Section 7.1 hereof with respect to all Bonds then Outstanding, this Indenture may be discharged in accordance with the provisions of this Article VII, but the liability of the City in respect of such Bonds shall continue provided that the owners thereof shall thereafter be entitled to payment only out of the monies or securities deposited with the Trustee as provided in Section 7.1 hereof.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.1 Events of Default. Each of the following is hereby defined as and shall be deemed an "Event of Default":

(a) default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, on a sinking fund payment date, or upon proceedings for redemption;

(b) default in the payment of any installment of interest on any Bond when the same shall become due and payable;

(c) if on any date after the balance in the Debt Service Reserve Fund first equals or exceeds the Debt Service Reserve Fund Requirement, the balance in such Fund is less than the Debt Service Reserve Fund Requirement and such deficiency is not fully replenished within ninety (90) days of the date such deficiency first existed;

(d) default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds or this Indenture (other than as referred to in (a), (b) or (c) of this Section) and such default shall continue for a period of 30 days after written notice to the City, the Trustee, and the Company from the owners or Beneficial Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding or to the City and the Company from the Trustee specifying such default and requiring the same to be remedied; provided, with respect to any such failure covered by this subsection (d), no Event of Default shall be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby; provided further, however, that failure to correct such default within 90 days after receipt of such notice shall constitute an Event of Default; and

(e) the occurrence of an "event of default" under Section 10.1 of the Loan Agreement.

Section 8.2 Remedies on Events of Default. Upon the occurrence of an Event of Default, the Trustee shall have the following rights and remedies:

(a) Default Interest. Upon the occurrence of an Event of Default (as defined hereinabove or as hereinafter defined), the rate of interest on the Bonds shall be adjusted so that at all times on and after the occurrence and continuation of the Event of Default, the Bonds shall
bear interest at a rate equal to 14% per annum (the "Default Rate") until such Event of Default has been cured.

(b) **Acceleration.** The Trustee may, and upon the written request of the owners or Beneficial Owners of not less than 25% aggregate principal amount of the sum of the Bonds then Outstanding shall, by notice in writing given to the City and the Company, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable. Upon any declaration of acceleration hereunder, the City and the Trustee shall immediately declare all Loan Payments under the Loan Agreement to be immediately due and payable as provided in Section 10.2 of the Loan Agreement.

(c) **Legal Proceedings.** The Trustee may, by mandamus or other suit, action or proceeding at law or in equity, enforce the rights of the Bondholders and require the City, the Company or any or both of them to carry out the Loan Agreement with or for the benefit of the Bondholders and to perform its or their duties under the Act, the Loan Agreement and this Indenture. The Trustee may also, by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(d) **Receivership.** The Trustee shall be entitled as a matter of right without notice or demand (such notice being expressly waived hereby), ex parte, to the appointment of a receiver or receivers of the Project, Facilities and Property, and of the rents, revenues, income, products and profits thereof, pending such proceedings, but, notwithstanding the appointment of any receiver, trustee or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of this Indenture to, the Trustee.

(e) **Suit for Judgment on the Bonds.** The Trustee shall be entitled to sue for and recover judgment, before or after or during the pendency of any proceedings for the enforcement of the lien of this Indenture, for the enforcement of any of its rights, or the rights of the Bondholders hereunder, but any such judgment against the City shall be enforceable only against the Trust Estate. No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of this Indenture or any rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the owners of the Bonds, but such lien, rights, powers and remedies of the Trustee and the Bondholders shall continue unimpaired as before.

(f) **Remedies Under Agreement.** The Trustee, as assignee of the City, may exercise any or all of the remedies provided under the Loan Agreement upon an Event of Default.

In the event written notice is given by the owners or Beneficial Owners to the Trustee under Section 8.1(d) hereof and upon due receipt of such notice by the Trustee, the Trustee shall immediately give notice with respect to such default to the Company.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative with respect to the Trustee and the Bondholders, and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute.
If any Event of Default shall have occurred and if instructed and directed in writing by the owners or Beneficial Owners of not less than the sum of a majority in aggregate principal amount of Bonds then Outstanding and indemnified as provided in Section 9.1 hereof, the Trustee shall exercise such one or more of the rights and powers conferred by this Section as may be set forth in such directions.

Section 8.3 Majority of Bondholders May Control Proceedings. Anything in this Indenture to the contrary notwithstanding, the owners or Beneficial Owners of the sum of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture and the Loan Agreement, or for the appointment of a receiver, or any other proceedings or actions hereunder or otherwise available at law or equity; provided that such direction shall not be otherwise than in accordance with the provisions hereof. The Trustee shall not be required to act on any direction given to it pursuant to this Section unless indemnified as provided in Section 9.1 hereof.

Section 8.4 Rights and Remedies of Bondholders. No owner or Beneficial Owner of any Bond or Parity Indebtedness shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in Section 9.1 hereof, or of which by said Section it is deemed to have notice, such default shall have become an Event of Default, and the owners or Beneficial Owners of the sum of not less than a majority in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered 10 days to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and they have also offered to the Trustee indemnity as provided in Section 9.1 hereof, and the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name within such 10 day period; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more owners or Beneficial Owners of the Bonds or Parity Indebtedness shall have the right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings or actions at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the owners of all Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any owner or Beneficial Owner of Bonds to enforce the payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of, premium, if any, and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner herein and in the Bonds expressed.

Section 8.5 Application of Monies. All monies received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the
fees of the Trustee, costs and expenses of the proceedings resulting in the collection of such monies and the expenses, liabilities and advances incurred or made by the Trustee and the directing owners and Beneficial Owners of the Bonds, first, to the extent of any deficiency of required amounts in the Rebate Fund be deposited in the Rebate Fund, and thereafter shall be held in trust and all monies so deposited in the Bond Principal Fund and the Bond Interest Fund and all monies held or deposited in the Bond Principal Fund and the Bond Interest Fund during the continuance of an Event of Default shall be applied as follows:

(a) Unless the principal of all the Bonds and Parity Indebtedness shall have become or shall have been declared due and payable, all such monies shall be applied:

   FIRST – to the persons entitled thereto of all installments of interest on the Bonds and Parity Indebtedness in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

   SECOND – to the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds and Parity Indebtedness which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on the unpaid principal of and premium, if any, on such Bonds from the respective dates upon which they became due, at the Default Rate and, if the amount available shall not be sufficient to pay in full such Bonds and Parity Indebtedness due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Bonds and Parity Indebtedness shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon all of the Bonds and Parity Indebtedness, together with interest on overdue installments of principal at a rate which shall be equal to the Default Rate, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond or Parity Indebtedness over any other such Bond or Parity Indebtedness, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds and Parity Indebtedness shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds and Parity Indebtedness shall later become due or be declared due and payable, the monies shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever monies are to be applied pursuant to the provisions of this Section, such monies shall be applied at such times, and from time to time, as the Trustee shall determine,
having due regard to the amount of such monies available for application and the likelihood of additional monies becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit of any such monies and of the fixing of any such date, and shall not be required to make payment to the owner of any Bond and Parity Indebtedness until such Bond and Parity Indebtedness shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds and Parity Indebtedness and interest thereon have been paid under the provisions of this Section and all expenses and fees of the Trustee and all other amounts to be paid to the City hereunder or under the Loan Agreement have been paid, any balance remaining in the Funds shall be paid as provided in Section 3.14 hereof.

Section 8.6 Trustee May Enforce Rights Without Bonds. All rights of action and claims under this Indenture or any of the Bonds Outstanding hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the ratable benefit of the owners of the Bonds subject to the provisions of this Indenture.

Section 8.7 Trustee to File Proofs of Claim, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Trust Estate, the City, the Company, or the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Bondholders allowed in such proceedings for the entire amount due and payable by the City under this Indenture, or by the Company, as the case may be, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date.

Section 8.8 Delay or Omission No Waiver. No delay or omission of the Trustee, any Bondholder or any Beneficial Owner to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by this Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 8.9 No Waiver of One Default to Affect Another. No waiver of any default hereunder, whether by the Trustee, the Bondholders, or the Beneficial Owners shall extend to or affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon.

Section 8.10 Discontinuance of Proceedings on Default; Position of Parties Restored. In case the Trustee shall have proceeded to enforce any rights under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the City and the Trustee
shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.11 Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of principal of and interest on the Bonds, and shall do so upon the written request of the owners or Beneficial Owners of the sum of a majority in aggregate principal amount of all the Bonds then Outstanding in respect of which default exists; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Bonds at the date of maturity or redemption thereof, or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, the owners or Beneficial Owners of all Bonds affected thereby have consented in writing, or all arrears of interest or all arrears of payments of principal and premium, if any (with interest at the Default Rate) and all expenses of the Trustee, and all amounts to be paid to the City hereunder and under the Loan Agreement, in connection with such default shall have been paid or provided for or (b) any default in the payment of amounts set forth in Section 5.1(d) of the Loan Agreement unless the owners or Beneficial Owners of all Bonds affected thereby have consented in writing. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the City, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

Section 8.12 Trustee to Notify Parties of Default and Disclose Information Relating to Default. The Trustee shall immediately notify in writing the City and the Company of any default hereunder of which it has actual knowledge or is deemed to have knowledge under Section 9.1 hereof or the occurrence of any Event of Default. Within five (5) Business Days of any default hereunder of which it has actual knowledge or is deemed to have knowledge under Section 9.1 hereof, or the occurrence of any Event of Default, the Trustee shall notify in writing all Bondholders and Notice Beneficial Owners of the occurrence of such default or Event of Default, and shall make available to such Bondholders and Notice Beneficial Owners information reasonably requested of the Trustee concerning the Event of Default, the Bonds, the Company, and such other information relevant to the Event of Default, as the Bondholders or Notice Beneficial Owners may request.

ARTICLE IX

CONCERNING THE TRUSTEE

Section 9.1 Duties of the Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:
(a) The Trustee, prior to the occurrence of a default of which it has actual knowledge or is deemed to have notice under Section 9.1(h) or an Event of Default and after the curing of all such defaults and Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of the affairs of others.

(b) The Trustee may execute any of the trusts hereof or powers hereunder and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above only if the Trustee has not exercised reasonable care in the selection thereof, and shall be entitled to act upon an opinion of independent counsel concerning all matters of the trust hereof and its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon an opinion of independent counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such opinion of independent counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for insuring the Property or collecting any insurance monies or for the validity of the execution by the City of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of or title to the assets of the Company and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the City, except as herein set forth; but the Trustee may require of the City or the Company full information and advice as to the performance of the covenants, conditions and agreements as to the condition of the assets of the Company contained herein or in the Loan Agreement. The Trustee shall not be accountable for the use or application by the City or the Company of any of the Bonds or the proceeds thereof or the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture. The Trustee shall have no obligation to perform any of the duties of the City under the Loan Agreement; and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.1 hereof.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may not hold Bonds for its own account.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner or Beneficial Owner of any Bonds shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof.
(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the City by a City Representative as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default, subject to Section 9.1(a) hereof.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the City to cause to be made any of the payments to the Trustee required to be made by Article III hereof unless the Trustee shall be specifically notified in writing of such default by the City or by the owners or Beneficial Owners of at least 25% in aggregate principal amount of Bonds then Outstanding, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee; in the absence of such notice so delivered, the Trustee may conclusively assume that there is no default except as aforesaid.

(i) All monies received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Indenture or law. The Trustee shall not be under any liability for interest on any monies received hereunder except such as may be agreed upon.

(j) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, but shall not be required, to inspect any and all of the Trust Estate, including all books, papers and records of the City pertaining to the Project and the Bonds.

(k) The Trustee shall not be required to give any note or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(l) Notwithstanding anything in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the City to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.
Before taking any action under Section 8.2, 8.3 or 8.4 hereof, the Trustee may require that reasonable indemnity be furnished to it by the owners or Beneficial Owners of the Bonds and for the reimbursement of all expenses which it may incur and to protect it against all liability, except liability which may result from its negligence or willful default, by reason of any action so taken.

In the event there occurs a conflict of interest arising as the result of the Trustee's acting as Trustee or in fiduciary capacity with respect to other Indebtedness of the Company, the Trustee shall appoint a Co-Trustee with respect to the Bonds.

Section 9.2 Fee and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for its reasonable fees for its services rendered hereunder as and when the same become due and all expenses reasonably and necessarily made or incurred by the Trustee in connection with such services as and when the same become due as provided in Section 5.1 of the Loan Agreement. The Trustee shall not be entitled to payment of any expenses it incurs related to such resignation upon its resignation as Trustee hereunder. The Trustee shall have a lien on the Trust Estate prior to the lien securing the Bonds for all fees and expenses of the Trustee provided in this Indenture.

Notwithstanding any provision in this Indenture or the Loan Agreement to the contrary, any reference or covenant set forth in this Indenture or the Loan Agreement for the payment or remuneration of (a) the reasonable fees, compensation, charges or remuneration of the Trustee, or the like, shall be deemed to reference and include Trustee's fees and extraordinary Trustee's fees including reasonable default fees of Trustee upon the occurrence of an Event of Default incurred as a result of the administration of the duties of the Trustee hereunder, and (b) reasonable expenses, costs, out-of-pocket costs, or other reimbursable charges, or the like, shall be deemed to reference and include reasonable attorney's fees, fees and expenses of independent contractors or agents incurred in the course of the administration of the duties of the Trustee hereunder, and other customary and reimbursable expenditures.

Section 9.3 Resignation or Replacement of Trustee. The Trustee may resign by giving to the Company, the City, the Notice Beneficial Owners and the Bondholders 90 days' written notice of such resignation, provided, however that no such resignation shall become effective until a successor has been appointed and has accepted the duties of Trustee. The present or any future Trustee may be removed at any time by an instrument in writing executed by the owners or Beneficial Owners of a majority in principal amount of Outstanding Bonds; provided, however, that no such removal shall become effective until a successor has been appointed and has accepted the duties of Trustee hereunder.

In case the Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the owners or Beneficial Owners of a majority in aggregate principal amount of the Bonds Outstanding by an instrument or concurrent instruments signed by such owners or Beneficial Owners, or their attorneys-in-fact duly appointed; provided that the City may appoint a temporary successor until a new successor shall be appointed by the owners or Beneficial Owners as herein authorized. The City upon making such temporary appointment shall forthwith give notice thereof to the Bondholders, the Notice Beneficial Owners, and to the Company, which notice may be given concurrently with the notice of
resignation given by any resigning Trustee. Any temporary successor so appointed by the City shall immediately and without further act be superseded by a successor appointed in the manner above provided by the owners or Beneficial Owners of a majority in aggregate principal amount of the Bonds Outstanding.

Every successor shall always be a bank or trust company (or a subsidiary thereof) in good standing, qualified to act hereunder, and having a combined capital, surplus and undivided profits of not less than $50,000,000. A successor appointed hereunder shall execute, acknowledge and deliver to the City and the Company an instrument accepting such appointment hereunder, and thereupon such successor shall, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein; but the Trustee retiring shall, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the predecessor, who shall duly assign, transfer and deliver to the successor all properties and monies held by it under this Indenture. Should any instrument in writing from the City be reasonably required by any successor for such vesting and confirming, the City shall execute, acknowledge and deliver the said deeds, conveyances and instruments on the request of such successor.

The notices herein provided for, to be given to the Bondholders, shall be given by mailing a copy of such notices by first class mail to the Bondholders at their addresses as the same shall last appear upon the registration books. The notices herein provided for, to be given to the Notice Beneficial Owners, shall be given by confirmed facsimile to the facsimile numbers provided to the Trustee. The notice herein provided for to be given to the City, the Company and the retiring Trustee, shall be given in accordance with Section 11.7 hereof.

The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section, shall be filed and/or recorded by the successor Trustee in each recording office where this Indenture shall have been filed and/or recorded.

**Section 9.4 Conversion, Consolidation or Merger of Trustee.** Any bank or trust company into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business as a whole shall be the successor of the Trustee under this Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In case any of the Bonds to be issued hereunder shall have been authenticated, but not delivered, any successor Trustee may adopt the certificate of any predecessor Trustee, and deliver the same as authenticated; and, in case any of such Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of such successor Trustee.

**Section 9.5 Trustee to Retain Information.** So long as any of the Bonds shall be Outstanding, the Trustee shall retain all certificates, financial statements and other written information furnished to it by or on behalf of the Company, the City or any other Person under
this Indenture, the Loan Agreement and any other agreement or instrument pertaining to the Bonds and shall make such documentation available for review after reasonable notice during regular business hours at the principal corporate trust office of the Trustee to any Bondholder and to any Beneficial Owner. The Trustee shall permit such reviewers to take copies of all or any part of such documentation, subject to their payment of such reasonable copying and handling charges as the Trustee may impose.

In addition, the Trustee shall be required to report to Bondholders and Notice Beneficial Owners any withdrawals from the Debt Service Reserve Fund.

**ARTICLE X**

**SUPPLEMENTAL INDENTURES AND AMENDMENTS OF THE LOAN AGREEMENT**

**Section 10.1 Supplemental Indentures.** The owners or Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the City and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that without the consent of the owners or Beneficial Owners of all the Bonds at the time Outstanding, nothing herein contained shall permit, or be construed as permitting:

(a) an extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Bond;

(b) the deprivation of the owner of any Bond then Outstanding of the lien created by this Indenture (other than as permitted hereby when such Bond was initially issued);

(c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as specifically permitted by this Indenture; or

(d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

If at any time the City shall request the Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being reasonably indemnified by the Company with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given to the City and the Company in accordance with Section 11.7 hereof and to the Notice Beneficial Owners and the Bondholders by mailing a copy of such notice by first class mail to their addresses as the same shall last appear upon the registration books or as provided to the Trustee consistent with the definition of "Beneficial Owner" herein. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders and Beneficial Owners. If, within 60 days following the giving of such notice, the owners or Beneficial Owners of the requisite principal
amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the City from executing the same or from taking any action pursuant to the provisions thereof.

**Section 10.2 Execution of Supplemental Indentures.** The Trustee is authorized to join with the City in the execution of any such supplemental indenture and to make further agreements and stipulations which may be contained therein, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture. Any supplemental indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture and all the terms and conditions contained in any such supplemental indenture as to any provision authorized to be contained therein shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any supplemental indenture, express reference may be made thereto in the text of the Bonds issued thereafter.

**Section 10.3 Amendments, Etc., of the Loan Agreement.** Neither the City nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement without the giving of notice and the written approval or consent of the owners or Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding. Such notice and consent shall be given and procured as provided in Section 10.1 hereof.

If at any time the City or the Company shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement, the Trustee shall, upon being reasonably indemnified by the Company with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 10.1 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders.

**ARTICLE XI**

**MISCELLANEOUS**

**Section 11.1 Evidence of Signature of Bondholders, Beneficial Owners and Ownership of Bonds.** Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Bondholders or by the Beneficial Owners may be in one or more instruments and executed by such Bondholders or Beneficial Owners in person or by their attorneys appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing such attorney, or the ownership or Beneficial Ownership Interest of Bonds shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:
(a) the fact and date of the execution by any Bondholder, Beneficial Owner, or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public;

(b) the Ownership of any Bonds and the amount and numbers of such Bonds and the date of holding the same shall be proved by the registration books of the City kept by the Trustee; and

(c) the Beneficial Ownership Interest of any Beneficial Owner shall be proved by a letter or letters from the Direct Participants and Indirect Participants, as appropriate, attesting to the Beneficial Ownership Interest of such Beneficial Owner, or by such other material as the Trustee deems appropriate under the circumstances.

Any request or consent of the owner or Beneficial Owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 11.2 Parties Interested Herein. With the exception of rights herein expressly conferred on the Company, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the City, the Trustee and the owners and Beneficial Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, and the owners and Beneficial Owners of the Bonds.

Section 11.3 Titles, Headings, Etc. The titles and headings of the articles, sections and subsections of this Indenture have been inserted for the convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 11.4 Severability. In the event any provision of this Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5 Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of Florida.

Section 11.6 Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
Section 11.7 Notices. All notices, certificates, directions or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return receipt requested, postage prepaid, or by first-class mail, if this Indenture so provides, addressed as follows:

City: City of Palm Bay, Florida
120 Malabar Road
Palm Bay, Florida 32907
Attention: City Manager
Telephone: (321) 952-3413
Facsimile: (321)952-3412

Trustee: Regions Bank
Corporate Trust, 7th Floor
400 W. Capitol
Little Rock, AR 72201
Attention: Corporate Trust
Telephone: (501) 371-6745
Facsimile: (501) 371-3262

Company: Patriot Charter School, LLC
6245 North Federal Highway, 5th Floor
Fort Lauderdale, Florida 33308
Attention: Jonathan K. Hage, President
Telephone: (954) 202-3500
Facsimile: (954) 202-2047

Underwriter: Gates Capital Corporation
100 Park Avenue, 22nd Floor
New York, New York 10017
Attention: Tom Sulger
Telephone: (212) 661-8686
Facsimile: (212) 949-8710

A duplicate copy of each notice, certificate or other communication given hereunder by or to the City, the Company or the Trustee shall also be given to the Company, the Underwriter and each Notice Beneficial Owner. Alternatively, all notices, certificates or other communications hereunder may be given by telecopy (if confirmed promptly in writing by the sender of such notice and if receipt of such notice by telecopy is confirmed electronically by the receiving telecopy machine). The City, the Company, the Underwriter and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.8 Payments Due on Nonbusiness Days. If the date for making any payment or the last day for performance of any act or the exercise of any right, as provided in
this Indenture, shall not be a Business Day, such payment may be made or act performed or right
exercised on the next succeeding Business Day with the same force and effect as if done on the
nominal date provided in this Indenture.

Section 11.9 Provision of General Application. Any consent or approval of the City
or Trustee required pursuant to this Indenture shall be in writing and shall not be unreasonably
withheld. Any direction given to the Trustee shall be in writing.

[SIGNATURE PAGES TO FOLLOW]
IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture to be executed in their respective corporate names and attested by their duly authorized Officers and the Trustee has caused its corporate seal to be hereto affixed, all as of the date first above written.

CITY OF PALM BAY, FLORIDA

By: _____________________________________
John J. Mazziotti, Mayor

Attest:

By: _____________________________________
Terese Barber, Deputy City Clerk
IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture to be executed in their respective corporate names and attested by their duly authorized Officers and the Trustee has caused its corporate seal to be hereto affixed, all as of the date first above written.

REGIONS BANK, as Trustee

By: _____________________________________________
    Bill Barber, Vice President
STATE OF FLORIDA

COUNTY OF ____________________

The foregoing instrument was acknowledged before me this _____ day of March, 2006, by John J. Mazziotti, Mayor, and Terese Barber, Deputy City Clerk, respectively of the City of Palm Bay, Florida. □ He/□ She is personally known to me or □ has produced _____________________________ as identification.

(SEAL)

________________________________________
Printed/Typed Name:________________________
Notary Public-State of ______________________
Commission Number:________________________
STATE OF ______________________
COUNTY OF ____________________

The foregoing instrument was acknowledged before me this ___ day of _____________, 2006, by Bill Barber, Vice President of Regions Bank, Trustee. □ He/□ She is personally known to me or □ has produced _________________________________ as identification.

(SEAL)

Printed/Typed Name: __________________
Notary Public-State of __________________
Commission Number: __________________
EXHIBIT A

FORM OF BONDS

**Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.**

CITY OF PALM BAY, FLORIDA
TAX-EXEMPT EDUCATIONAL FACILITIES REVENUE BONDS
(PATRIOT CHARTER SCHOOL PROJECT)
SERIES 2006A

No. AR-1 $4,460,000

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REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR MILLION FOUR HUNDRED SIXTY THOUSAND AND 00/100 DOLLARS

THE CITY OF PALM BAY, FLORIDA, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Florida (the "City"), for value received, hereby promises to pay, from the sources hereinafter described, the Principal Amount stated above, in lawful money of the United States of America, to the Registered Owner stated above or the registered assigns, on the Maturity Date stated above (unless this Bond shall have been called for prior redemption, in which case on such redemption date), upon the presentation and surrender hereof at the designated corporate trust office of Regions Bank, as Trustee (the "Trustee"), in Birmingham, Alabama, or at the principal office of its successor in trust under an Indenture of Trust, dated as of March 1, 2006, (the "Indenture"), between the City and the Trustee, and to pay, from like sources, to the Registered Owner stated above as of the fifteenth day of the calendar month prior to an Interest Payment Date (the "Regular Record Date"), by check or draft mailed by the Trustee on the Interest Payment Date to such Registered Owner at his address as it last appears on the registration books kept for that purpose at the office of the Trustee, interest on said sum in like coin or currency from the Original Issue Date stated above or from the most recent date from which interest has been paid or duly provided for, at the Interest Rate stated above, payable semiannually on January 1 and July 1 of each year, commencing July 1, 2006, on the basis of a 360-day year composed of twelve 30-day months,
until payment of the principal hereof has been made or provided for. The Trustee may make payments of principal at maturity or upon redemption and payment of interest by wire transfer within the United States to any owner of at least $1,000,000 in aggregate principal amount of the Bonds requesting the same in writing addressed to the Trustee as provided in the Indenture. Any interest not timely paid or duly provided for shall cease to be payable to the Registered Owner hereof at the close of business on the applicable Regular Record Date and shall be payable to the Registered Owner hereof at the close of business on a Special Record Date (as defined in the Indenture) for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever monies become available for payment of the defaulted interest, and notice of such Special Record Date shall be given to the Registered Owner hereof not less than ten days prior thereto. If the date for making any payment or the last day for performance of any act or the exercise of any right, as provided in this Bond, shall not be a "Business Day" as defined in the Indenture, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Bond. Notwithstanding anything herein to the contrary, when this Bond is registered in the name of a Depository (as defined in the Indenture) or its nominee, the principal and redemption price of and interest on this Bond shall be payable in same day or federal funds delivered or transmitted to the Depository or its nominee.

This Bond is one of a duly authorized series of bonds of the City designated as "City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A", in the aggregate principal amount of $20,175,000 (the "Series 2006A Bonds"), issued at substantially the same time as the City of Palm Bay, Florida Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006B, in the aggregate principal amount of $925,000 (the "Series 2006B Bonds" and together with the Series 2006A Bonds, the "Bonds"). The Bonds have been issued under the provisions of the Charter of the City and Part II of Chapter 166, Florida Statutes, as amended and supplemented, or any successor statute and other applicable provisions of law (the "Act"), to finance costs of acquiring, constructing and equipping certain charter school facilities (the "Facilities"); to fund a reserve fund with respect to the Bonds; to fund certain working capital requirements of Patriot Charter School, LLC (the "Company"); and to fund certain costs of issuing the Bonds.

This Bond is a limited, special obligation of the City payable solely from and secured by (a) a pledge of certain rights of the City under and pursuant to the Mortgage and Loan Agreement dated as of March 1, 2006, (the "Loan Agreement"), between the City and Company; (b) a pledge of the Funds and Pledged Revenues other than the Rebate Fund (all as defined in the Indenture); and (c) an assignment of the City's mortgage on the Property (as defined in the Indenture) (including personal property and equipment) and of the City's security interest in the Pledged Revenues (as defined in the Indenture) of the Company.

This Bond shall not constitute or become a general indebtedness, a debt or a liability of or a charge against the general credit or taxing power of the State of Florida or any county, city, city and county, town, school district, or other subdivision of the State of Florida or of any other political subdivision or body corporate and politic within the State of Florida but shall be a special, limited obligation of the City to the extent of the revenues pledged in the Indenture, and neither the State of Florida, nor any county, city, city and county, town, school district or other subdivision of the State of Florida, except the City to the extent provided above, shall be liable
hereon; nor shall this Bond constitute the giving, pledging, or loaning of the faith and credit of
the State of Florida, or any county, city, city and county, town, school district or other
subdivision of the State of Florida or of any other political subdivision or body corporate and
politic within the State of Florida, but shall be payable solely from the funds pledged therefor
under the Indenture. The Bonds and the interest thereon do not constitute an indebtedness of the
City within the meaning of any constitutional or statutory limitation.

Reference is hereby made to the Indenture and the Loan Agreement for a description of
the revenues pledged, the nature and extent of the security, the rights, duties and obligations of
the City, the Trustee and the Registered Owners and Beneficial Owners of the Bonds and the
terms and conditions upon which the Bonds are, and are to be, secured, and a statement of the
rights, duties, immunities and obligations of the City and the Trustee.

The Series 2006A Bonds are subject to redemption prior to maturity, in whole or in part,
at the written direction of the Company, on March 1, 2016, and on any date thereafter, at the
redemption price set forth below (expressed as a percentage of the principal amount so
redeemed), plus accrued interest to the redemption date.

<table>
<thead>
<tr>
<th>Redemption Period (both dates inclusive)</th>
<th>Redemption Price</th>
</tr>
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<tbody>
<tr>
<td>July 1, 2016 through June 30, 2017</td>
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<td>100</td>
</tr>
</tbody>
</table>

The Bonds are subject to mandatory redemption at a redemption price equal to the
principal amount thereof plus accrued interest to the Redemption Date: (a) from and to the extent
of Net Proceeds in excess of $250,000 in the event of damage to or destruction of the Project or
in the event of condemnation of the Project or any part thereof, unless within 60 days of the
damage or destruction or condemnation, as the case may be, the Company shall furnish to the
Trustee the items required by the Indenture to demonstrate the feasibility of restoring the Project,
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result of release of lands or granting of easements pursuant to the Indenture, such redemption to
take place as soon as practicable after notice of redemption can be given pursuant to the terms of
the Indenture; (d) from and to the extent of proceeds of the Bonds which are on deposit with the
Trustee in the Project Fund after the Completion Date, such redemption to take place as soon as
practicable after notice of redemption can be given pursuant to the terms of the Indenture, and
(e) following a termination of the Lease under the conditions set forth in the Indenture.

The Bonds may, at the option of the City and at the written direction of the Company, be
called in part for redemption at a redemption price equal to 100% of the principal amount thereof
redeemed plus accrued interest to the Redemption Date: (a) at any time, in the event the Charter
is terminated or not renewed; and (b) at any time within the first 24 months after the date of issue
of the Bonds, in the event the student enrollment at the Project is 75% or less of the projected
enrollment for the Project, in each case subject to Bondholder consent as provided in the
Indenture.
The Bonds are also subject to mandatory sinking fund redemption by lot in such manner as the Trustee may determine pursuant to the Indenture, at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date.

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</tr>
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<tbody>
<tr>
<td>July 1, 2009</td>
<td>$20,000</td>
<td>January 1, 2016</td>
<td>$190,000</td>
</tr>
<tr>
<td>January 1, 2010</td>
<td>10,000</td>
<td>July 1, 2016</td>
<td>195,000</td>
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<td>15,000</td>
<td>January 1, 2017</td>
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<td>January 1, 2011</td>
<td>10,000</td>
<td>July 1, 2017</td>
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<td>July 1, 2011</td>
<td>20,000</td>
<td>January 1, 2018</td>
<td>220,000</td>
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<td>January 1, 2012</td>
<td>15,000</td>
<td>July 1, 2018</td>
<td>220,000</td>
</tr>
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<td>July 1, 2012</td>
<td>15,000</td>
<td>January 1, 2019</td>
<td>240,000</td>
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<td>January 1, 2013</td>
<td>155,000</td>
<td>July 1, 2019</td>
<td>235,000</td>
</tr>
<tr>
<td>July 1, 2013</td>
<td>160,000</td>
<td>January 1, 2020</td>
<td>250,000</td>
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<td>January 1, 2014</td>
<td>165,000</td>
<td>July 1, 2020</td>
<td>255,000</td>
</tr>
<tr>
<td>July 1, 2014</td>
<td>175,000</td>
<td>January 1, 2021</td>
<td>265,000</td>
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<td>January 1, 2015</td>
<td>185,000</td>
<td>July 1, 2021</td>
<td>275,000</td>
</tr>
<tr>
<td>July 1, 2015</td>
<td>180,000</td>
<td>January 1, 2022</td>
<td>285,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>July 1, 2022*</td>
<td>290,000</td>
</tr>
</tbody>
</table>

*Final maturity.

Except in the case of Bonds tendered for cancellation by the Company or Bonds previously redeemed, as provided in Section 5.4 of the Indenture, in the event that less than all of the Outstanding Bonds shall be redeemed, the Bonds redeemed shall be selected by lot in such manner as the Trustee shall determine. Except as hereinafter provided, notice of the call for redemption shall be given by the Trustee by mailing by first class mail a copy of the redemption notice not more than 45 days nor less than 30 days prior to the redemption date to the Registered Owners of Bonds to be redeemed in whole or in part at the address of such Registered Owner last showing on the registration books. Failure to give such notice or any defect therein shall not affect the validity of any proceedings for the redemption of such Bonds for which no such failure or defect occurs. All Bonds called for redemption will cease to bear interest after the specified redemption date, provided collected funds for their payment are on deposit at the place of payment at the time of redemption.

Notwithstanding the foregoing, no additional notice shall be required with respect to mandatory sinking fund redemption unless requested by the holders of 100% of the principal amount of the Bonds, and Bonds need not be presented for mandatory sinking fund redemption payment.

The Series 2006A Bonds are subject to mandatory redemption and payment prior to the stated maturity thereof in whole (or in part as described below), at a redemption price equal to one hundred five percent (105%) of the principal amount thereof, plus accrued interest to the redemption date, on any day within one hundred twenty (120) days after the occurrence of a Determination of Taxability. A "Determination of Taxability" shall be deemed to have occurred if a final decree or judgment of any federal court or a final action of the Internal Revenue Service...
is taken which determines that interest paid or payable on any Series 2006A Bond is or was includable in the gross income of any bondowner, beneficial owner, former bondowner or former beneficial owner for federal income tax purposes under the Code. No such decree, judgment or action will be considered final for this purpose, however, unless the Company has been given written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any bondowner, beneficial owner, former bondowner or former beneficial owner of a Series 2006A Bond and until the expiration of any period to request appellate review, if no appellate review is sought, or until conclusion of any appellate review, if appellate review is sought.

If an Opinion of Bond Counsel is delivered to the Trustee stating that the redemption of fewer than all of the Series 2006A Bonds would result in the interest on the Series 2006A Bonds outstanding following such redemption not being includable in the gross income for federal income tax purposes of the holders of such Series 2006A Bonds Outstanding, then fewer than all of the Series 2006A Bonds may be redeemed in the amount specified in such opinion, provided that such redemption must be in authorized denominations. If fewer than all Series 2006A Bonds are redeemed, the Trustee shall select the Series 2006A Bonds to be redeemed by lot or by such other method acceptable to the Trustee as may be approved in an Opinion of Bond Counsel.

The Bonds are issuable only as fully registered bonds in the minimum denominations of $250,000 and in any integral multiple of $5,000 in excess thereof. The Bonds shall initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), to be held in a book entry system and: (a) such Bonds shall be registered in the name of the DTC or its nominee, as Bondholder, and immobilized in the custody of DTC; (b) unless otherwise requested by DTC, there shall be a single Bond certificate for each maturity; and (c) such Bonds shall not be transferable or exchangeable, except for transfer to another depository or another nominee of a depository, without further action by the City. The owners of beneficial interest in the Bonds shall not have any right to receive Bonds in the form of physical certificates. If any depository determines not to continue to act as a depository for the Bonds for use in a book entry system, the City may attempt to have established a securities depository/book entry system relationship with another qualified depository under the Indenture. If the City does not or is unable to do so, the City and the Trustee, after the Trustee has made provision for notification to the owners of book entry interests by the then depository, shall permit withdrawal of the Bonds from the depository, and authenticate and deliver Bond certificates in fully registered form (in authorized denominations of not less than $250,000 in excess thereof) to the assignees of the depository or its nominee.

While a depository is the sole holder of the Bonds, delivery or notation of partial redemption of Bonds shall be effected in accordance with the provisions of the Letter of Representations, as defined in the Indenture.

In addition to the words and terms defined elsewhere in this Bond, the following terms shall have the following meanings:

"Beneficial Owner" means, with respect to the Bonds, a person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee. Such evidence may
include a letter or letters from the Direct Participants and Indirect Participants, as applicable, attesting to the Beneficial Ownership Interest of such Beneficial Owner.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by a Depository under a book entry system.

"Book entry form" or "book entry system" means, with respect to the Bonds, a form or system, as applicable, under which (a) the Beneficial Ownership Interests may be transferred only through a book entry and (b) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as holder, with the physical Bond certificates "immobilized" in the custody of the Depository. The book entry system maintained by and the responsibility of the Depository (and not maintained by or the responsibility of the City or the Trustee) is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book entry) interests in the Bonds.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

"Direct Participant" means a participant in the securities depository system maintained by The Depository Trust Company, New York, New York.

"Indirect Participant" means a Person utilizing the book entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

All capitalized terms not defined in this Bond shall have the meanings given in the Indenture.

NEITHER THE CITY, THE COMPANY, NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (a) THE BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (c) THE TIMELY OR ULTIMATE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (d) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO REGISTERED OWNERS; (e) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (f) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.
Except for the 15 days next preceding the mailing of notice of redemption of the Bonds (and, if this Bond or portion thereof is called, the period following the giving of such notice), this Bond is fully transferable by the Registered Owner hereof in person or by his duly authorized attorney on the registration books kept at the principal office of the Trustee upon surrender of this Bond, together with a duly executed written instrument of transfer satisfactory to the Trustee. Upon such transfer, a new fully registered bond or bonds of authorized denomination or denominations for the same aggregate principal amount and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the Indenture. The City and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether or not this Bond shall be overdue, for the purpose of receiving payment (except as provided above with respect to Regular and Special Record Dates) and for all other purposes, and neither the City nor the Trustee shall be affected by any notice to the contrary. Bonds which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, then from the Original Issue Date.

To the extent permitted by, and as provided in the Indenture, modifications or amendments of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the City and of the owners of the Bonds may be made with the consent of the City and, in certain instances, with the consent of the owners or Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such modification or amendment shall be made which will affect the terms of payment of the principal of, premium, if any, or interest on any of the Bonds which are unconditional, unless consented to by all Bondholders affected thereby. Any such consent by the owner or Beneficial Owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any bond issued upon the transfer or exchange of this Bond whether or not notation of such consent is made upon this Bond.

The owner or Beneficial Owner of this Bond shall have no right to enforce the provisions of the Indenture, the provisions of which are incorporated herein by this reference, or to institute action to enforce the pledge, assignment or covenants made therein or to take any action with respect to an Event of Default under the Indenture or to institute, appear in or defend any suit, action or other proceeding at law or in equity with respect thereto, except as provided in the Indenture. In case an Event of Default under the Indenture shall occur, the principal of all the Bonds at any such time Outstanding under the Indenture may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Indenture. The Indenture provides that such declaration may in certain events be rescinded and annulled by the Trustee under certain circumstances.

Neither the Mayor and City Clerk of the City, nor any person executing the Bonds, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution or statutes of the State of Florida or by the Act or the Indenture to exist, to have
happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed.

This Bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose until the Trustee shall have signed the certificate of authentication hereon.

[SIGNATURE PAGE TO FOLLOW]
IN WITNESS WHEREOF, the CITY OF PALM BAY, FLORIDA has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Mayor, and an imprint of its corporate seal to be affixed hereon and attested by the manual or facsimile signature of its City Clerk.

CITY OF PALM BAY, FLORIDA

[SEAL]

By: ________________________________
    Mayor

Attest:

By: ________________________________
    City Clerk
ASSIGNMENT

FOR VALUE RECEIVED, _________________ the undersigned, hereby sells, assigns and transfers unto:

______________________________________________________________________________

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE

______________________________________________________________________________

TAX IDENTIFICATION OR SOCIAL SECURITY NO.

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: ______________________________________________________

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever. Signature must be guaranteed by a member of a Medallion Signature Program.
CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Indenture of Trust.

REGIONS BANK, as Trustee

By: ______________________________________
   Authorized Officer

Date of Authentication:

__________________________
**Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.**

**CITY OF PALM BAY, FLORIDA**
**TAX-EXEMPT EDUCATIONAL FACILITIES REVENUE BONDS**
**(PATRIOT CHARTER SCHOOL PROJECT)**
**SERIES 2006A**

No. AR-2 $15,715,000

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Original Issue Date</th>
<th>CUSIP</th>
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<tbody>
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<td>7.00%</td>
<td>July 1, 2036</td>
<td>April 3, 2006</td>
<td>69645R AB 2</td>
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</tbody>
</table>

**REGISTERED OWNER:** CEDE & CO.

**PRINCIPAL AMOUNT:** FIFTEEN MILLION SEVEN HUNDRED FIFTEEN THOUSAND AND 00/100 DOLLARS

**THE CITY OF PALM BAY, FLORIDA,** a municipal corporation and political subdivision duly organized and existing under the laws of the State of Florida (the "City"), for value received, hereby promises to pay, from the sources hereinafter described, the Principal Amount stated above, in lawful money of the United States of America, to the Registered Owner stated above or the registered assigns, on the Maturity Date stated above (unless this Bond shall have been called for prior redemption, in which case on such redemption date), upon the presentation and surrender hereof at the designated corporate trust office of Regions Bank, as Trustee (the "Trustee"), in Birmingham, Alabama, or at the principal office of its successor in trust under an Indenture of Trust, dated as of March 1, 2006, (the "Indenture"), between the City and the Trustee, and to pay, from like sources, to the Registered Owner stated above as of the fifteenth day of the calendar month prior to an Interest Payment Date (the "Regular Record Date"), by check or draft mailed by the Trustee on the Interest Payment Date to such Registered Owner at his address as it last appears on the registration books kept for that purpose at the office of the Trustee, interest on said sum in like coin or currency from the Original Issue Date stated above or from the most recent date from which interest has been paid or duly provided for, at the Interest Rate stated above, payable semiannually on January 1 and July 1 of each year, commencing July 1, 2006, on the basis of a 360-day year composed of twelve 30-day months, until payment of the principal hereof has been made or provided for. The Trustee may make payments of principal at maturity or upon redemption and payment of interest by wire transfer within the United States to any owner of at least $1,000,000 in aggregate principal amount of the Bonds requesting the same in writing addressed to the Trustee as provided in the Indenture. Any interest not timely paid or duly provided for shall cease to be payable to the Registered Owner.
hereof at the close of business on the applicable Regular Record Date and shall be payable to the Registered Owner hereof at the close of business on a Special Record Date (as defined in the Indenture) for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever monies become available for payment of the defaulted interest, and notice of such Special Record Date shall be given to the Registered Owner hereof not less than ten days prior thereto. If the date for making any payment or the last day for performance of any act or the exercise of any right, as provided in this Bond, shall not be a "Business Day" as defined in the Indenture, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Bond. Notwithstanding anything herein to the contrary, when this Bond is registered in the name of a Depository (as defined in the Indenture) or its nominee, the principal and redemption price of and interest on this Bond shall be payable in same day or federal funds delivered or transmitted to the Depository or its nominee.

This Bond is one of a duly authorized series of bonds of the City designated as "City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A", in the aggregate principal amount of $20,175,000 (the "Series 2006A Bonds"), issued at substantially the same time as the City of Palm Bay, Florida Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006B, in the aggregate principal amount of $925,000 (the "Series 2006B Bonds" and together with the Series 2006A Bonds, the "Bonds"). The Bonds have been issued under the provisions of the Charter of the City and Part II of Chapter 166, Florida Statutes, as amended and supplemented, or any successor statute and other applicable provisions of law (the "Act"), to finance costs of acquiring, constructing and equipping certain charter school facilities (the "Facilities"); to fund a reserve fund with respect to the Bonds; to fund certain working capital requirements of Patriot Charter School, LLC (the "Company"); and to fund certain costs of issuing the Bonds.

This Bond is a limited, special obligation of the City payable solely from and secured by (a) a pledge of certain rights of the City under and pursuant to the Mortgage and Loan Agreement dated as of March 1, 2006, (the "Loan Agreement"), between the City and Company; (b) a pledge of the Funds and Pledged Revenues other than the Rebate Fund (all as defined in the Indenture); and (c) an assignment of the City's mortgage on the Property (as defined in the Indenture) (including personal property and equipment) and of the City's security interest in the Pledged Revenues (as defined in the Indenture) of the Company.

This Bond shall not constitute or become a general indebtedness, a debt or a liability of or a charge against the general credit or taxing power of the State of Florida or any county, city, city and county, town, school district, or other subdivision of the State of Florida or of any other political subdivision or body corporate and politic within the State of Florida but shall be a special, limited obligation of the City to the extent of the revenues pledged in the Indenture, and neither the State of Florida, nor any county, city, city and county, town, school district or other subdivision of the State of Florida, except the City to the extent provided above, shall be liable hereon; nor shall this Bond constitute the giving, pledging, or loaning of the faith and credit of the State of Florida, or any county, city, city and county, town, school district or other subdivision of the State of Florida or of any other political subdivision or body corporate and politic within the State of Florida, but shall be payable solely from the funds pledged therefor.
under the Indenture. The Bonds and the interest thereon do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation.

Reference is hereby made to the Indenture and the Loan Agreement for a description of the revenues pledged, the nature and extent of the security, the rights, duties and obligations of the City, the Trustee and the Registered Owners and Beneficial Owners of the Bonds and the terms and conditions upon which the Bonds are, and are to be, secured, and a statement of the rights, duties, immunities and obligations of the City and the Trustee.

The Series 2006A Bonds are subject to redemption prior to maturity, in whole or in part, at the written direction of the Company, on March 1, 2016, and on any date thereafter, at the redemption price set forth below (expressed as a percentage of the principal amount so redeemed), plus accrued interest to the redemption date.

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The Bonds are subject to mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date: (a) from and to the extent of Net Proceeds in excess of $250,000 in the event of damage to or destruction of the Project or in the event of condemnation of the Project or any part thereof, unless within 60 days of the damage or destruction or condemnation, as the case may be, the Company shall furnish to the Trustee the items required by the Indenture to demonstrate the feasibility of restoring the Project, such redemption to take place within 120 days of such event; (b) from and to the extent of excess Net Proceeds in excess of $1,000,000 such redemption to take place within 60 days after it is determined that there are excess funds; (c) from and to the extent of moneys made available as a result of release of lands or granting of easements pursuant to the Indenture, such redemption to take place as soon as practicable after notice of redemption can be given pursuant to the terms of the Indenture; (d) from and to the extent of proceeds of the Bonds which are on deposit with the Trustee in the Project Fund after the Completion Date, such redemption to take place as soon as practicable after notice of redemption can be given pursuant to the terms of the Indenture; and (e) following a termination of the Lease under the conditions set forth in the Indenture.

The Bonds may, at the option of the City and at the written direction of the Company, be called in part for redemption at a redemption price equal to 100% of the principal amount thereof redeemed plus accrued interest to the Redemption Date: (a) at any time, in the event the Charter is terminated or not renewed; and (b) at any time within the first 24 months after the date of issue of the Bonds, in the event the student enrollment at the Project is 75% or less of the projected enrollment for the Project, in each case subject to Bondholder consent as provided in the Indenture.

The Bonds are also subject to mandatory sinking fund redemption by lot in such manner as the Trustee may determine pursuant to the Indenture, at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date.
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<td>$305,000</td>
<td>January 1, 2030</td>
<td>$495,000</td>
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*Final maturity.

Except in the case of Bonds tendered for cancellation by the Company or Bonds previously redeemed, as provided in Section 5.4 of the Indenture, in the event that less than all of the Outstanding Bonds shall be redeemed, the Bonds redeemed shall be selected by lot in such manner as the Trustee shall determine. Except as hereinafter provided, notice of the call for redemption shall be given by the Trustee by mailing by first class mail a copy of the redemption notice not more than 45 days nor less than 30 days prior to the redemption date to the Registered Owners of Bonds to be redeemed in whole or in part at the address of such Registered Owner last showing on the registration books. Failure to give such notice or any defect therein shall not affect the validity of any proceedings for the redemption of such Bonds for which no such failure or defect occurs. All Bonds called for redemption will cease to bear interest after the specified redemption date, provided collected funds for their payment are on deposit at the place of payment at the time of redemption.

Notwithstanding the foregoing, no additional notice shall be required with respect to mandatory sinking fund redemption unless requested by the holders of 100% of the principal amount of the Bonds, and Bonds need not be presented for mandatory sinking fund redemption payment.

The Series 2006A Bonds are subject to mandatory redemption and payment prior to the stated maturity thereof in whole (or in part as described below), at a redemption price equal to one hundred five percent (105%) of the principal amount thereof, plus accrued interest to the redemption date, on any day within one hundred twenty (120) days after the occurrence of a Determination of Taxability. A "Determination of Taxability" shall be deemed to have occurred if a final decree or judgment of any federal court or a final action of the Internal Revenue Service is taken which determines that interest paid or payable on any Series 2006A Bond is or was includable in the gross income of any bondowner, beneficial owner, former bondowner or former beneficial owner for federal income tax purposes under the Code. No such decree, judgment or action will be considered final for this purpose, however, unless the Company has been given
written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any bondowner, beneficial owner, former bondowner or former beneficial owner of a Series 2006A Bond and until the expiration of any period to request appellate review, if no appellate review is sought, or until conclusion of any appellate review, if appellate review is sought.

If an Opinion of Bond Counsel is delivered to the Trustee stating that the redemption of fewer than all of the Series 2006A Bonds would result in the interest on the Series 2006A Bonds outstanding following such redemption not being includable in the gross income for federal income tax purposes of the holders of such Series 2006A Bonds Outstanding, then fewer than all of the Series 2006A Bonds may be redeemed in the amount specified in such opinion, provided that such redemption must be in authorized denominations. If fewer than all Series 2006A Bonds are redeemed, the Trustee shall select the Series 2006A Bonds to be redeemed by lot or by such other method acceptable to the Trustee as may be approved in an Opinion of Bond Counsel.

The Bonds are issuable only as fully registered bonds in the minimum denominations of $250,000 and in any integral multiple of $5,000 in excess thereof. The Bonds shall initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), to be held in a book entry system and: (a) such Bonds shall be registered in the name of the DTC or its nominee, as Bondholder, and immobilized in the custody of DTC; (b) unless otherwise requested by DTC, there shall be a single Bond certificate for each maturity; and (c) such Bonds shall not be transferable or exchangeable, except for transfer to another depository or another nominee of a depository, without further action by the City. The owners of beneficial interest in the Bonds shall not have any right to receive Bonds in the form of physical certificates. If any depository determines not to continue to act as a depository for the Bonds for use in a book entry system, the City may attempt to have established a securities depository/book entry system relationship with another qualified depository under the Indenture. If the City does not or is unable to do so, the City and the Trustee, after the Trustee has made provision for notification to the owners of book entry interests by the then depository, shall permit withdrawal of the Bonds from the depository, and authenticate and deliver Bond certificates in fully registered form (in authorized denominations of not less than $250,000 in excess thereof) to the assignees of the depository or its nominee.

While a depository is the sole holder of the Bonds, delivery or notation of partial redemption of Bonds shall be effected in accordance with the provisions of the Letter of Representations, as defined in the Indenture.

In addition to the words and terms defined elsewhere in this Bond, the following terms shall have the following meanings:

"Beneficial Owner" means, with respect to the Bonds, a person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee. Such evidence may include a letter or letters from the Direct Participants and Indirect Participants, as applicable, attesting to the Beneficial Ownership Interest of such Beneficial Owner.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by a Depository under a book entry system.
"Book entry form" or "book entry system" means, with respect to the Bonds, a form or system, as applicable, under which (a) the Beneficial Ownership Interests may be transferred only through a book entry and (b) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as holder, with the physical Bond certificates "immobilized" in the custody of the Depository. The book entry system maintained by and the responsibility of the Depository (and not maintained by or the responsibility of the City or the Trustee) is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book entry) interests in the Bonds.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

"Direct Participant" means a participant in the securities depository system maintained by The Depository Trust Company, New York, New York.

"Indirect Participant" means a Person utilizing the book entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

All capitalized terms not defined in this Bond shall have the meanings given in the Indenture.

NEITHER THE CITY, THE COMPANY, NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (a) THE BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (c) THE TIMELY OR ULTIMATE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (d) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO REGISTERED OWNERS; (e) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (f) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

Except for the 15 days next preceding the mailing of notice of redemption of the Bonds (and, if this Bond or portion thereof is called, the period following the giving of such notice), this Bond is fully transferable by the Registered Owner hereof in person or by his duly authorized attorney on the registration books kept at the principal office of the Trustee upon surrender of this Bond, together with a duly executed written instrument of transfer satisfactory to the
Trustee. Upon such transfer, a new fully registered bond or bonds of authorized denomination or denominations for the same aggregate principal amount and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the Indenture. The City and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether or not this Bond shall be overdue, for the purpose of receiving payment (except as provided above with respect to Regular and Special Record Dates) and for all other purposes, and neither the City nor the Trustee shall be affected by any notice to the contrary. Bonds which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, then from the Original Issue Date.

To the extent permitted by, and as provided in the Indenture, modifications or amendments of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the City and of the owners of the Bonds may be made with the consent of the City and, in certain instances, with the consent of the owners or Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such modification or amendment shall be made which will affect the terms of payment of the principal of, premium, if any, or interest on any of the Bonds which are unconditional, unless consented to by all Bondholders affected thereby. Any such consent by the owner or Beneficial Owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any bond issued upon the transfer or exchange of this Bond whether or not notation of such consent is made upon this Bond.

The owner or Beneficial Owner of this Bond shall have no right to enforce the provisions of the Indenture, the provisions of which are incorporated herein by this reference, or to institute action to enforce the pledge, assignment or covenants made therein or to take any action with respect to an Event of Default under the Indenture or to institute, appear in or defend any suit, action or other proceeding at law or in equity with respect thereto, except as provided in the Indenture. In case an Event of Default under the Indenture shall occur, the principal of all the Bonds at any such time Outstanding under the Indenture may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Indenture. The Indenture provides that such declaration may in certain events be rescinded and annulled by the Trustee under certain circumstances.

Neither the Mayor and City Clerk of the City, nor any person executing the Bonds, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution or statutes of the State of Florida or by the Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed.

This Bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose until the Trustee shall have signed the certificate of authentication hereon.
IN WITNESS WHEREOF, the CITY OF PALM BAY, FLORIDA has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Mayor, and an imprint of its corporate seal to be affixed hereon and attested by the manual or facsimile signature of its City Clerk.

CITY OF PALM BAY, FLORIDA

[SEAL]

By:_______________________________________

Mayor

Attest:

By:_______________________________________

City Clerk
ASSIGNMENT

FOR VALUE RECEIVED, _________________ the undersigned, hereby sells, assigns and transfers unto:

______________________________________________________________________________

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE

______________________________________________________________________________

TAX IDENTIFICATION OR SOCIAL SECURITY NO.

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: ______________________________________________________

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever. Signature must be guaranteed by a member of a Medallion Signature Program.
CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Indenture of Trust.

REGIONS BANK, as Trustee

By: ____________________________________

Authorized Officer

Date of Authentication:

____________________
Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.**

Except as provided in the Indenture herein described, upon any transfer of a Beneficial Ownership Interest (as defined in the Indenture) in the Bond, the purchaser thereof shall be deemed to have certified to the Trustee and acknowledged, represented and agreed with the Company and the Underwriter (as such terms are defined in the Indenture described herein) that such purchaser is acquiring the Bond for its own account and that it is (a) a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the "1933 Act"), or (b) an institutional "accredited investor," as defined in Rule 501(a)(1), (2), (3), or (7) of the 1933 Act.

**

CITY OF PALM BAY, FLORIDA  
TAXABLE EDUCATIONAL FACILITIES REVENUE BONDS  
(PATRIOT CHARTER SCHOOL PROJECT)  
SERIES 2006B  

No. BR-1 $925,000

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REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: NINE HUNDRED TWENTY FIVE THOUSAND AND 00/100 DOLLARS

THE CITY OF PALM BAY, FLORIDA, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Florida (the "City"), for value received, hereby promises to pay, from the sources hereinafter described, the Principal Amount stated above, in lawful money of the United States of America, to the Registered Owner stated above or the registered assigns, on the Maturity Date stated above (unless this Bond shall have been called for prior redemption, in which case on such redemption date), upon the presentation and surrender hereof at the designated corporate trust office of Regions Bank, as Trustee (the "Trustee"), in Birmingham, Alabama, or at the principal office of its successor in trust under an Indenture of Trust, dated as of March 1, 2006, (the "Indenture"), between the City and the Trustee, and to pay, from like sources, to the Registered Owner stated above as of the fifteenth day of the calendar month prior to an Interest Payment Date (the "Regular Record Date"), by check or draft mailed by the Trustee on the Interest Payment Date to such Registered
Owner at his address as it last appears on the registration books kept for that purpose at the office of the Trustee, interest on said sum in like coin or currency from the Original Issue Date stated above or from the most recent date from which interest has been paid or duly provided for, at the Interest Rate stated above, payable semiannually on January 1 and July 1 of each year, commencing July 1, 2006, on the basis of a 360-day year composed of twelve 30-day months, until payment of the principal hereof has been made or provided for. The Trustee may make payments of principal at maturity or upon redemption and payment of interest by wire transfer within the United States to any owner of at least $1,000,000 in aggregate principal amount of the Bonds requesting the same in writing addressed to the Trustee as provided in the Indenture. Any interest not timely paid or duly provided for shall cease to be payable to the Registered Owner hereof at the close of business on the applicable Regular Record Date and shall be payable to the Registered Owner hereof at the close of business on a Special Record Date (as defined in the Indenture) for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever monies become available for payment of the defaulted interest, and notice of such Special Record Date shall be given to the Registered Owner hereof not less than ten days prior thereto. If the date for making any payment or the last day for performance of any act or the exercise of any right, as provided in this Bond, shall not be a "Business Day" as defined in the Indenture, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Bond. Notwithstanding anything herein to the contrary, when this Bond is registered in the name of a Depository (as defined in the Indenture) or its nominee, the principal and redemption price of and interest on this Bond shall be payable in same day or federal funds delivered or transmitted to the Depository or its nominee.

This Bond is one of a duly authorized series of bonds of the City designated as "City of Palm Bay, Florida Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006B, in the aggregate principal amount of $925,000 (the "Series 2006B Bonds"), issued at substantially the same time as the City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A, in the aggregate principal amount of $20,175,000 (the "Series 2006A Bonds" and together with the Series 2006B Bonds, the "Bonds"). The Bonds have been issued under the provisions of the Charter of the City and Part II of Chapter 166, Florida Statutes, as amended and supplemented, or any successor statute and other applicable provisions of law (the "Act"), to finance costs of acquiring, constructing and equipping certain charter school facilities (the "Facilities"); to fund a reserve fund with respect to the Bonds; to fund certain working capital requirements of Patriot Charter School, LLC (the "Company"); and to fund certain costs of issuing the Bonds.

This Bond is a limited, special obligation of the City payable solely from and secured by (a) a pledge of certain rights of the City under and pursuant to the Mortgage and Loan Agreement dated as of March 1, 2006, (the "Loan Agreement"), between the City and the Company; (b) a pledge of the Funds and Pledged Revenues other than the Rebate Fund (all as defined in the Indenture); and (c) an assignment of the City's mortgage on the Property (as defined in the Indenture) (including personal property and equipment) and of the City's security interest in the Pledged Revenues (as defined in the Indenture) of the Company.

This Bond shall not constitute or become a general indebtedness, a debt or a liability of or a charge against the general credit or taxing power of the State of Florida or any county, city, city
and county, town, school district, or other subdivision of the State of Florida or of any other political subdivision or body corporate and politic within the State of Florida but shall be a special, limited obligation of the City to the extent of the revenues pledged in the Indenture, and neither the State of Florida, nor any county, city, city and county, town, school district or other subdivision of the State of Florida, except the City to the extent provided above, shall be liable hereon; nor shall this Bond constitute the giving, pledging, or loaning of the faith and credit of the State of Florida, or any county, city, city and county, town, school district or other subdivision of the State of Florida or of any other political subdivision or body corporate and politic within the State of Florida, but shall be payable solely from the funds pledged therefor under the Indenture. The Bonds and the interest thereon do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation.

Reference is hereby made to the Indenture and the Loan Agreement for a description of the revenues pledged, the nature and extent of the security, the rights, duties and obligations of the City, the Trustee and the Registered Owners and Beneficial Owners of the Bonds and the terms and conditions upon which the Bonds are, and are to be, secured, and a statement of the rights, duties, immunities and obligations of the City and the Trustee.

The Series 2006B Bonds are not subject to optional redemption prior to maturity.

The Bonds are subject to mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date: (a) from and to the extent of Net Proceeds in excess of $50,000 in the event of damage to or destruction of the Project or in the event of condemnation of the Project or any part thereof, unless within 60 days of the damage or destruction or condemnation, as the case may be, the Company shall furnish to the Trustee the items required by the Indenture to demonstrate the feasibility of restoring the Project, such redemption to take place within 120 days of such event; (b) from and to the extent of excess Net Proceeds in excess of $1,000,000, such redemption to take place within 60 days after it is determined that there are excess funds; (c) from and to the extent of moneys made available as a result of release of lands or granting of easements pursuant to the Indenture, such redemption to take place as soon as practicable after notice of redemption can be given pursuant to the terms of the Indenture; (d) from and to the extent of proceeds of the Bonds which are on deposit with the Trustee in the Project Fund after the Completion Date, such redemption to take place as soon as practicable after notice of redemption can be given pursuant to the terms of the Indenture, and (f) following a termination of the Lease under the conditions set forth in the Indenture.

The Bonds may, at the option of the City and at the written direction of the Company, be called in part for redemption at a redemption price equal to 100% of the principal amount thereof redeemed plus accrued interest to the Redemption Date: (a) at any time, in the event the Charter is terminated or not renewed; and (b) at any time within the first 24 months after the date of issue of the Bonds, in the event the student enrollment at the Project is 75% or less of the projected enrollment for the Project.
The Bonds are also subject to mandatory sinking fund redemption by lot in such manner as the Trustee may determine pursuant to the Indenture, at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date.

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<th>Principal Amount</th>
<th>Payment Date</th>
<th>Principal Amount</th>
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<tr>
<td></td>
<td></td>
<td>July 1, 2012*</td>
<td>130,000</td>
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</table>

*Final maturity.

Except in the case of Bonds tendered for cancellation by the Company or Bonds previously redeemed, as provided in Section 5.4 of the Indenture, in the event that less than all of the Outstanding Bonds shall be redeemed, the Bonds redeemed shall be selected by lot in such manner as the Trustee shall determine, giving proportionate weight to Bonds in denominations larger than $50,000. In case a Bond is of a denomination larger than $50,000, a portion of such Bond may be redeemed, but the unredeemed portion of such Bond shall not be less than $50,000. Except as hereinafter provided, notice of the call for redemption shall be given by the Trustee by mailing by first class mail a copy of the redemption notice not more than 45 days nor less than 30 days prior to the redemption date to the Registered Owners of Bonds to be redeemed in whole or in part at the address of such Registered Owner last showing on the registration books. Failure to give such notice or any defect therein shall not affect the validity of any proceedings for the redemption of such Bonds for which no such failure or defect occurs. All Bonds called for redemption will cease to bear interest after the specified redemption date, provided collected funds for their payment are on deposit at the place of payment at the time of redemption.

Notwithstanding the foregoing, no additional notice shall be required with respect to mandatory sinking fund redemption or redemption from Capital Contributions unless requested by the holders of 100% of the principal amount of the Bonds, and Bonds need not be presented for mandatory sinking fund redemption payment.

The Bonds are issuable only as fully registered bonds in the minimum denominations of $50,000 and in any integral multiple of $5,000 in excess thereof. The Bonds shall initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), to be held in a book entry system and: (a) such Bonds shall be registered in the name of the DTC or its nominee, as Bondholder, and immobilized in the custody of DTC; (b) unless otherwise requested by DTC, there shall be a single Bond certificate for each maturity; and (c) such Bonds shall not be transferable or exchangeable, except for transfer to another depository or another nominee of a depository, without further action by the City. The owners of beneficial interest in the Bonds shall not have any right to receive Bonds in the form of physical certificates. If any depository determines not to continue to act as a depository for the Bonds for use in a book entry system, the City may attempt to have established a securities depository/book entry system relationship with another qualified depository under the Indenture. If the City does not or is unable to do so, the City and the Trustee, after the Trustee has made provision for notification to the owners of book entry interests by the then depository, shall permit withdrawal of the Bonds.
from the depository, and authenticate and deliver Bond certificates in fully registered form (in authorized denominations of not less than $50,000 in excess thereof) to the assignees of the depository or its nominee.

While a depository is the sole holder of the Bonds, delivery or notation of partial redemption of Bonds shall be effected in accordance with the provisions of the Letter of Representations, as defined in the Indenture.

In addition to the words and terms defined elsewhere in this Bond, the following terms shall have the following meanings:

"Beneficial Owner" means, with respect to the Bonds, a person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee. Such evidence may include a letter or letters from the Direct Participants and Indirect Participants, as applicable, attesting to the Beneficial Ownership Interest of such Beneficial Owner.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by a Depository under a book entry system.

"Book entry form" or "book entry system" means, with respect to the Bonds, a form or system, as applicable, under which (a) the Beneficial Ownership Interests may be transferred only through a book entry and (b) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as holder, with the physical Bond certificates "immobilized" in the custody of the Depository. The book entry system maintained by and the responsibility of the Depository (and not maintained by or the responsibility of the City or the Trustee) is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book entry) interests in the Bonds.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

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NEITHER THE CITY, THE COMPANY, NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH
RESPECT TO: (a) THE BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (c) THE TIMELY OR ULTIMATE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (d) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO REGISTERED OWNERS; (e) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (f) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

Except for the 15 days next preceding the mailing of notice of redemption of the Bonds (and, if this Bond or portion thereof is called, the period following the giving of such notice), this Bond is fully transferable by the Registered Owner hereof in person or by his duly authorized attorney on the registration books kept at the principal office of the Trustee upon surrender of this Bond, together with a duly executed written instrument of transfer satisfactory to the Trustee. Upon such transfer, a new fully registered bond or bonds of authorized denomination or denominations for the same aggregate principal amount and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the Indenture. The City and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether or not this Bond shall be overdue, for the purpose of receiving payment (except as provided above with respect to Regular and Special Record Dates) and for all other purposes, and neither the City nor the Trustee shall be affected by any notice to the contrary. Bonds which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, then from the Original Issue Date.

To the extent permitted by, and as provided in the Indenture, modifications or amendments of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the City and of the owners of the Bonds may be made with the consent of the City and, in certain instances, with the consent of the owners or Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such modification or amendment shall be made which will affect the terms of payment of the principal of, premium, if any, or interest on any of the Bonds which are unconditional, unless consented to by all Bondholders affected by thereby. Any such consent by the owner or Beneficial Owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any bond issued upon the transfer or exchange of this Bond whether or not notation of such consent is made upon this Bond.

The owner or Beneficial Owner of this Bond shall have no right to enforce the provisions of the Indenture, the provisions of which are incorporated herein by this reference, or to institute action to enforce the pledge, assignment or covenants made therein or to take any action with respect to an Event of Default under the Indenture or to institute, appear in or defend any suit, action or other proceeding at law or in equity with respect thereto, except as provided in the
Indenture. In case an Event of Default under the Indenture shall occur, the principal of all the Bonds at any such time Outstanding under the Indenture may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Indenture. The Indenture provides that such declaration may in certain events be rescinded and annulled by the Trustee under certain circumstances.

Neither the Mayor and City Clerk of the City, nor any person executing the Bonds, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution or statutes of the State of Florida or by the Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed.

This Bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose until the Trustee shall have signed the certificate of authentication hereon.

[SIGNATURE PAGE TO FOLLOW]
IN WITNESS WHEREOF, the CITY OF PALM BAY, FLORIDA has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Mayor, and an imprint of its corporate seal to be affixed hereon and attested by the manual or facsimile signature of its City Clerk.

CITY OF PALM BAY, FLORIDA

[SEAL]

By: __________________________________________
Mayor

Attest:

By: __________________________________________
City Clerk
ASSIGNMENT

FOR VALUE RECEIVED, _________________ the undersigned, hereby sells, assigns and transfers unto:

________________________________________________________

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE

________________________________________________________

TAX IDENTIFICATION OR SOCIAL SECURITY NO.

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: __________________________________________________

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever. Signature must be guaranteed by a member of a Medallion Signature Program.
CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Indenture of Trust.

REGIONS BANK
Trustee

By: _______________________________________
    Authorized Officer

Date of Authentication:

____________________
EXHIBIT B
FORM OF REPAIR AND REPLACEMENT RESERVE FUND REQUEST

Request No: __________ Date: __________

DISBURSEMENT REQUEST
(REPAIR AND REPLACEMENT RESERVE FUND)

To: Regions Bank
Little Rock, Arkansas


You are hereby requested and directed as Trustee under the Indenture of Trust dated as of March 1, 2006 (the "Indenture"), between the City of Palm Bay, Florida (the "City") and you, as Trustee, to pay from moneys in the Repair and Replacement Reserve Fund, pursuant to Section 3.22 of the Indenture, to the following payees the following amounts in payment or reimbursement for the following repair and replacement costs:

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All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture. All representations and statements made herein are for the benefit of the Trustee and the other parties related to the issuance of the Bonds and may not be relied upon by third parties.

The undersigned Company Representative hereby states and certifies that:

1. Each item listed above is a valid cost authorized under the Indenture and is properly chargeable to the capital account of the Company under generally accepted accounting principles for the repair or replacement of real or personal property constituting a part of the Improvements under generally accepted accounting principles.
2. These costs have been incurred by the Company and are presently due and payable or have been paid by the Company and are reasonable costs that are payable or reimbursable under the Indenture and each item thereof is a proper charge against the Repair and Replacement Reserve Fund.

3. No Event of Default under the Indenture or the Loan Agreement or event which after notice or lapse of time or both would constitute an Event of Default under the Indenture or the Loan Agreement has occurred and not been waived or cured.

4. An invoice or other appropriate evidence of each obligation described in the requisition above is attached.

[SIGNATURE PAGE TO FOLLOW]
PATRIOT CHARTER SCHOOL, LLC

By: The Lee Charter Foundation, Inc. Manager

By: Kenneth Haiko, Chairman
MORTGAGE AND LOAN AGREEMENT

between

PATRIOT CHARTER SCHOOL, LLC

and

THE CITY OF PALM BAY, FLORIDA

Dated as of March 1, 2006

Note to Examiner: This leasehold mortgage is exempt from Florida intangible tax per Aurora Group Ltd. v Department of Revenue, 487 So.2d, 1132 (Fla. 3rd DCA1986). This exemption extends to the value of the leasehold improvements owned by the mortgagor, because this leasehold mortgage requires the mortgagee to first look to the value of the leasehold to satisfy any amounts owing before it can enforce this mortgage against the leasehold improvements. See Technical Assistance Advisement No. 05C2-002.
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MORTGAGE AND LOAN AGREEMENT

This MORTGAGE AND LOAN AGREEMENT (this "Loan Agreement"), dated as of March 1, 2006, between the CITY OF PALM BAY, FLORIDA (the "City"), a municipal corporation and political subdivision of the State of Florida, as Mortgagee and PATRIOT CHARTER SCHOOL, LLC (the "Company"), a limited liability company duly organized and existing under the laws of the State of Florida, as Mortgagor.

WITNESSETH:

WHEREAS, the Company has requested that the City finance the acquisition, construction and equipping of certain school facilities located within the City of Palm Bay, Florida, in accordance with this Loan Agreement; and

WHEREAS, the provisions of the Charter of the City and Part II of Chapter 166, Florida Statutes, as amended and supplemented, or any successor statute and other applicable provisions of law (the "Act"), authorizes the City to finance such costs; and

WHEREAS, in order to finance such costs, the City shall issued its City of Palm Bay, Florida Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006A, in the aggregate principal amount of $20,175,000 (the "Series 2006A Bonds"), and the City of Palm Bay, Florida Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project) Series 2006B, in the aggregate principal amount of $925,000 (the "Series 2006B Bonds" and together with the Series 2006A Bonds, the "Bonds") pursuant to the terms of an Indenture of Trust dated as of the date hereof (the "Indenture"), , by and between the City and Regions Bank, as trustee (the "Trustee"); and

WHEREAS, the rights of the City in this Loan Agreement will be assigned by the City to the Trustee pursuant to an Assignment of Mortgage and Loan Agreement, dated as of the date hereof; and

WHEREAS, the Company has determined that it is in the best interests of the Company to grant and create the mortgage and security interests with respect to its leasehold interest in the real property described in EXHIBIT A attached hereto (the "Site"), and all improvements thereon and equipment and fixtures of the Company in connection therewith, for the benefit of the holders from time to time of the Bonds, all as defined and more fully set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

All terms not defined herein shall have the meanings assigned to such terms in Article I of the Indenture.
ARTICLE II
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by the City. The City represents, covenants and warrants for the benefit of the Company, the Trustee and the owners and Beneficial Owners of the Bonds that:

(a) the City is an municipal corporation and political subdivision, duly organized and existing under the laws of the State of Florida, is authorized pursuant to the Act to enter into the transactions contemplated by this Loan Agreement and the Indenture and to carry out its obligations hereunder and thereunder, and has duly authorized the execution and delivery of this Loan Agreement, the Ground Lease, the Lease and the Indenture;

(b) pursuant to this Loan Agreement, the City will loan the Company a portion of the proceeds of the Bonds to provide for the financing of the Project;

(c) the City hereby finds that the financing of the Project is in the public interest;

(d) to finance the Project, the City will issue the Series 2006A Bonds, in the aggregate principal amount of $20,175,000 and the Series 2006B Bonds, in the aggregate principal amount of $925,000. The Bonds shall mature, bear interest, be subject to redemption prior to maturity, be secured and have such other terms and conditions as are set forth in the Indenture;

(e) neither the execution and delivery of this Loan Agreement, the Ground Lease, the Lease or the Indenture, the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions of this Loan Agreement, the Ground Lease, the Lease or the Indenture violates any law applicable to the City or conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which it is bound or constitutes a default under any of the foregoing or results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City under the terms of any instrument or agreement;

(f) the City hereby acknowledges receipt of the Company's estimate of the total Cost of the Project set forth in EXHIBIT B attached hereto;

(g) the Bonds are to be issued under and secured by the Indenture pursuant to which substantially all of the City's interest in this Loan Agreement will be pledged and assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds; and

(h) the issuance of the Bonds was approved by resolution of the City Council of the City after a public hearing following reasonable public notice given at least 14 days in advance in a newspaper of general circulation in the City.
(i) as of the date of this Loan Agreement, there is no litigation or legal or governmental action, proceeding, inquiry or investigation pending or threatened by governmental authority or to which the City is a party or of which any property of the City is subject, which would, if determined adversely to the City, materially adversely affect, in any way, the validity and enforceability of the Bonds, the Indenture, this Loan Agreement, the Ground Lease, the Lease or any other agreement or instrument to which the City is a party or the transactions contemplated hereby.

Section 2.2 Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants for the benefit of the City, the Trustee and the owners and Beneficial Owners of the Bonds, that:

(a) the Company is a limited liability company duly organized and in good standing under the laws of the State of Florida, is authorized by the laws of such State applicable as of the date hereof to provide and operate the Project, has power to enter into and to perform and observe the covenants and agreements on its part contained in this Loan Agreement and the Tax Certificates, and by proper action has duly authorized the execution and delivery of this Loan Agreement and the Tax Certificates;

(b) neither the execution and delivery of this Loan Agreement, the Ground Lease, the Lease and the Tax Certificates, the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions of this Loan Agreement and the Tax Certificates, violates any law or conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Company is now a party or by which it is bound or constitutes a default under any of the foregoing or results in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement except for the Indenture, this Loan Agreement, and Permitted Liens;

(c) the total Cost of the Project is hereby determined to be not less than $21,100,000, and the financing of such cost by the City will assist the Company in providing charter school facilities;

(d) the Company intends to operate or to cause its facilities to be operated and to use the Improvements in connection therewith as educational facilities used to provide an education to students of Patriot Charter School to the expiration of the term of this Loan Agreement pursuant to the Act;

(e) as of the date of this Loan Agreement, there is no litigation or legal or governmental action, proceeding, inquiry or investigation pending or threatened by governmental authority or to which the Company is a party or of which any property of the Company is subject, which would, if determined adversely to the Company, materially adversely affect, in any way, the validity and enforceability of the Bonds, this Loan Agreement, the Ground Lease, the Lease or any other agreement or instrument to which the Company is a party or the transactions contemplated hereby;
(f) the Company has or shall have a good and marketable leasehold interest in the Site, free from all encumbrances except Permitted Liens as set forth in EXHIBIT C attached hereto, and such leasehold interest shall remain in the Company so long as the Bonds remain Outstanding, except as otherwise provided herein;

(g) the Company has obtained, or will obtain on or before the date required therefor, all licenses, authorizations, permits and approvals from applicable local, state and federal governmental agencies necessary to construct the Improvements and to operate the Improvements as charter school facilities as contemplated by this Loan Agreement. The Company knows of no reason that such licenses, authorizations, permits and approvals will not be issued or issued in a timely manner;

(h) the Company is in possession of a Phase One Environmental Site Assessment which was performed on the Site, and such assessment has not revealed any contamination of the Site or any violation of any rules or regulations of the Environmental Protection Agency or any other Environmental Law;

(i) no improvements located or to be located in the building set-back shown on the ALTA/ATSM Land Title Survey prepared with respect to the Site are used or shall be used in the operations of the Company;

(j) as of the date of delivery hereof, The Lee Charter Foundation, Inc., the sole manager of the Company (the "Company Manager") (i) is an organization described in Section 501(c)(3) of the Code, (ii) has received a letter from the Internal Revenue Service to that effect, which letter has not been modified, limited or revoked, (iii) is in compliance with all terms, conditions and limitations (if any) contained in such letter, it being specifically represented by the Company Manager hereby that the facts and circumstances which form the basis of such letter continue to exist, and (iv) the Company is entitled to rely on such letter and is therefore exempt from federal income taxes under Section 501(a) of the Code;

(k) as of the date of delivery hereof, the Company or the Company Manager is an organization (i) organized and operated exclusively for charitable purposes and not for pecuniary profit, and (ii) no part of the net earnings of which inures to the benefit of any Person, private stockholder or individual, all within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, respectively; and

(l) as of the date of execution and delivery of this Loan Agreement, there exists no default or any condition or event which would constitute, with the passage of time or the giving of notice, or both, a default hereunder.

All of the representations, warranties and covenants in this Section 2.2 shall survive the making of this Loan Agreement and the issuance of the Bonds.

Section 2.3 Environmental Representations and Covenants. Except as may be described in the Phase I Environmental Site Assessment dated November 18, 2004, prepared by EMG with respect to the Site, neither the Company nor, to the Company's knowledge, any other Person has ever caused or permitted any Hazardous Material to be placed, held, located or disposed of on, under or at the Property, or any part thereof except in compliance with
Environmental Laws. The Company hereby warrants and represents that, to the best of its knowledge, it has complied and, in the future, will comply in all material respects with all applicable Environmental Laws. None of the Property has previously contained, and none of such Property now contains, any underground storage tanks (other than in compliance with all applicable Environmental Laws) and none has ever been used by the Company or by any other Person as a temporary or permanent storage or disposal site for any Hazardous Material. The Company has delivered to the Trustee all environmental reports, studies, audits and other data and information in the possession or control of the Company relating to the Property.

If the Trustee reasonably suspects that any violation of the Environmental Laws has occurred or is occurring involving the Property or if a default shall have occurred and be continuing which, with the passage of time or the giving of notice, or both, would constitute an Event of Default, the Trustee shall have the right, but no obligation, to conduct any tests or inspections of the Property at the Company's expense (including, without limitation, soil and other tests, borings, sampling and monitoring) in order to determine compliance with Environmental Laws or the presence thereon or therein of Hazardous Material and shall have access to the Property for such purposes.

ARTICLE III

SECURITY PROVISIONS: TERM OF THE LOAN AGREEMENT

Section 3.1 Security Provisions. In order to secure the payment in full of the Bonds and payment of all sums due or to become due under this Loan Agreement, including advances which may be made in the future, and to secure the performance by the Company of all the covenants expressed or implied by this Loan Agreement (a) the Company does hereby grant, bargain, sell, convey and mortgage unto the City all of the Company's interest in the real property described in EXHIBIT A attached hereto (the "Site") and the Facilities, buildings, fixtures and other improvements located or to be constructed thereon (the "Improvements," and together with the Site, the "Property"), and any fixtures or appurtenances now or hereafter erected thereon; together with all rents and leases, profits, royalties, mineral rights, geothermal resources, oil and gas rights and profits, easements and access rights, now owned or hereafter acquired by the Company, used, belonging to, or in any way connected with the Property, all of which are declared to be a part of said Property, and all the rights, privileges, benefits, hereditaments and appurtenances in any way belonging, incidental or appertaining to the Property, subject to Permitted Liens as described in Section 8.9 hereof, and (b) the Company hereby pledges to and grants to the City a present security interest, with in the meaning of the Florida Uniform Commercial Code and to the extent permitted by law, in (i) the Pledged Revenues, (ii) all of its right, title and interest, if any, in the Funds (other than the Rebate Fund), (iii) all of its right, title, and interest, if any, in any other trust accounts referred to in this Loan Agreement or in the Indenture, and (iv) all Equipment, in each case subject to Permitted Liens, all of the foregoing whether now owned or hereafter acquired, and including the products and proceeds of the same.

It is the intention of the parties that the foregoing grant of liens and security interests shall encompass all rights of the Company in the Property and all personal property and other assets of the Company of every possible type, and that all such liens and security interests will be assigned
to the Trustee under the Assignment and the Indenture. The Company hereby authorizes the City, the Trustee, and any Beneficial Owner of Bonds to cause to be filed, in the office or offices such party deems appropriate, one or more Uniform Commercial Code financing statements in favor of the Trustee, as secured party, covering "all assets" of the Company, and further authorizes such parties to cause to be filed any and all amendments to such financing statements, including without limitation continuations, which may be required or appropriate. Notwithstanding that all such filings are the obligation of the Company, the Company hereby authorizes the Trustee to make any and all filings described in this section.

To the extent any assets pledged pursuant to this Loan Agreement consist of rights of action or personal property, this Loan Agreement constitutes a security agreement and financing statement and is intended when recorded to create a perfected security interest in such assets in favor of the City. The Company shall file financing statements, and any and all amendments thereto which may be required or appropriate, from time to time relating to this Loan Agreement in such manner and at such places as may be required by law fully to protect the security of the Trustee, as assignee of the City, and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof.

Section 3.2 Term. This Loan Agreement shall remain in full force and effect from the date of delivery hereof until such time as all of the Bonds shall have been fully paid or provision is made for such payment pursuant to the Indenture and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Bonds, all fees and expenses of the City accrued and to accrue through final payment of the Bonds and all other liabilities of the Company accrued and to accrue through final payment of the Bonds under this Loan Agreement and the Indenture have been paid or provision is made for such payments pursuant to the Indenture.

ARTICLE IV
FINANCING THE COST OF THE FACILITIES:
ISSUANCE OF THE BONDS

Section 4.1 Agreement to Complete the Facilities. The Company agrees that it will acquire, construct, improve and equip the Facilities described in EXHIBIT B attached hereto.

Section 4.2 Agreement to Issue the Bonds; Application of Bond Proceeds. In order to provide funds to make the Loan for payment of the Project, the City will sell and cause to be delivered to the initial purchaser thereof the Bonds.

Section 4.3 Disbursements From the Project Fund. The City has, in the Indenture, authorized and directed the Trustee to make payments from the Project Fund to pay (or to reimburse the Company for the payment of) the Cost of the Project, including costs related to the design, planning, acquisition, construction, improvement, equipment and operation of the Facilities. Each such payment of the Cost of the Project shall be made only upon receipt by the Trustee of a requisition in the form attached hereto as EXHIBIT D signed by the Company Representative and approved by the Construction Representative, showing the payment to be necessary and reasonable and stating (a) the requisition number, (b) the name and address of
each person, firm or corporation to whom payment is due or was made, (c) for each item, the amount to be paid or for which reimbursement is sought, (d) that none of the items for which the payment or reimbursement is proposed to be made has been the subject of any payment or reimbursement theretofore made from the Project Fund, (e) the nature of each item for which the payment or reimbursement is proposed to be made and that such item is or was reasonable and necessary in connection with the design, planning, acquisition, construction, improvement and equipping of the Facilities described in EXHIBIT B attached hereto, and in all cases is a proper Cost of the Project and a proper charge against the Project Fund, and (f) that upon payment or reimbursement of the amount requested in such requisition, the amount remaining in the Project Fund will be sufficient to pay the portion of the Cost of the Project relating to the design, planning, acquisition, construction, improving and equipping of the Facilities then unpaid. No disbursement requested in any requisition (other than with respect to equipment or working capital) shall be made by the Trustee unless there is attached to the requisition or has been delivered to the Trustee (a) lien waivers covering all work done and/or materials furnished in connection with the Improvements relating to any prior disbursement from the Project Fund for payment to contractors or materialmen and (b) endorsements reflecting any title insurance increases. The Trustee may, but shall be under no obligation to, review such lien waivers.

Section 4.4 Obligation of the Parties to Cooperate in Furnishing Documents to Trustee. The Company and the City agree to cooperate with each other in furnishing to the Trustee the requisitions referred to in Sections 4.3 hereof. Such obligation of the City shall not extend beyond the moneys in the Project Fund available for payment under the terms of the Indenture.

Section 4.5 Investment of Moneys. Any moneys held as a part of the Funds shall be invested, reinvested and transferred to other Funds by the Trustee as provided in Article VI of the Indenture.

Section 4.6 Arbitrage and Tax Matters. The Company hereby covenants and represents for the benefit of each owner of the Series 2006A Bonds and the City that it will not make or permit any use of the proceeds of the Series 2006A Bonds or the moneys in the Funds or take any other action which will cause the Series 2006A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or that will have a material adverse effect on the excludability of interest on the Series 2006A Bonds from the gross income of the holders thereof for federal income tax purposes. The Company covenants that it will comply with the applicable requirements of Section 148 of the Code so long as any Series 2006A Bonds are Outstanding. The Company shall deliver to the City certificates in such reasonable form as the City shall specify upon which the City may rely in furnishing the certificates required by Section 6.2 of the Indenture. The Company covenants and agrees to comply with the provisions of the Tax Certificates.

(a) Neither the Company nor any person related to it within the meaning of Section 147(a)(2) of the Code, pursuant to an arrangement, formal or informal, shall purchase bonds of the City in an amount related to the total amount payable under and secured by this Loan Agreement.
(b) The Company shall not carry on or permit to be carried on in the Project, the other facilities of the Company or any other property now or hereafter owned by the Company (or with the Revenues of the Company, the proceeds of Series 2006A Bonds, or the proceeds of any loan refinanced with the proceeds of Series 2006A Bonds), any trade or business the conduct of which would cause the interest on the Series 2006A Bonds to be required to be included in the gross income of the Holders thereof for purposes of federal income taxation.

(c) The Company agrees to comply with the provisions of the tax certificate delivered by the Company on the issue date of the Series 2006A Bonds (the "Tax Certificate"); provided however, that the Company shall not be required to comply with the provisions of the Tax Certificate if it causes to be delivered to the City and the Trustee an opinion of Bond Counsel that such noncompliance will not adversely affect the exclusion from gross income of the Holders thereof of the interest on any Series 2006A Bonds for purposes of federal income taxation.

(d) No more than five percent (5%) of the net proceeds of the Series 2006A Bonds (less Series 2006A Bond proceeds used to fund the Repair and Replacement Reserve Fund) will be used to finance costs of issuance and costs of facilities included in the Project used or to be used (i) in unrelated trades of businesses (within the meaning of Section 513(a) of the Code) of an organization described in Section 501(c)(3) of the Code, or (ii) in the trade or business of a person other than an organization described in Section 501(c)(3) of the Code or a governmental entity. The Company will not use the facilities financed as part of the Project, or permit the facilities financed as part of the Project to be used in whole or in part, by any person (including, without limitation, any lessee) in a manner which would result in a violation of this subsection (d).

No property financed by the net proceeds of the Series 2006A Bonds will be owned for federal income tax purposes by any entity other than the Company, an organization which is described in Section 501(c)(3) of the Code, or by a governmental unit in accordance with Section 145(a)(1) of the Code unless there shall have been delivered to the City and the Trustee an Opinion of Bond Counsel to the effect that the transfer contemplated will not adversely affect the excludability of interest on the Series 2006A Bonds from the gross income of the holders thereof for federal income tax purposes. Notwithstanding the foregoing, the Company may remove equipment, furniture or fixtures which comprise a part of the Project provided that the Company substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

Not more than 5% of the net proceeds of the Series 2006A Bonds will be used for any private business use or will be used by the Company with respect to the activities that constitute unrelated trades or businesses under Section 513(a) of the Code or be used to pay costs of issuing the Series 2006A Bonds.

No proportion of the proceeds of the Series 2006A Bonds is being used to finance any airplane, skybox or other private luxury box, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.
Section 4.7 Establishment of Completion Date. Upon completion of the acquisition, construction, improvement, and equipping of the Facilities described in Exhibit B attached hereto, the Company shall:

(a) deliver to the Trustee a certificate of the Construction Representative to the effect that (i) the Company has completed acquisition, construction, improvement, and equipping of the Facilities described in Exhibit B attached hereto, and (ii) the Company has paid all amounts owing by the Company to contractors or materialmen for work done and/or materials furnished in connection with the Improvements; and

(b) deliver to the Trustee (i) lien waivers covering all work done and/or materials furnished in connection with the Improvements relating to any disbursements from the Project Fund for payment to contractors or materialmen for which the Trustee has theretofore not received lien waivers, and (ii) endorsements reflecting any title insurance increases.

The date upon which the Company has satisfied all of the foregoing requirements shall be referred to herein, and in the Indenture and all related agreements and documents, as the “Completion Date.” The Company covenants that the Completion Date shall be no later than July 1, 2006.

Section 4.8 Completion of the Facilities if Project Fund Insufficient. The Company acknowledges that the moneys in the Project Fund available for payment of the Cost of the Project may not be sufficient to pay the cost thereof in full, and agrees to complete the Facilities and to pay that portion of the Cost of the Project in excess of the moneys available therefor in the Project Fund from any moneys legally available for such purpose. The City does not make any warranty, either express or implied, that the moneys which will be paid into the Project Fund will be sufficient to pay all the Cost of the Project. The Company shall not be entitled as a result of paying a portion of the Cost of the Project pursuant to this Section to any reimbursement therefor from the City, the Trustee or from the owners of any Bonds, nor shall it be entitled to any diminution in or postponement of the payments required to be paid under this Loan Agreement.

Section 4.9 Plans and Specifications. Any Improvements which have not yet been completed shall be acquired, constructed, improved and equipped substantially in accordance with the plans and specifications therefor and any amendments thereto. A copy of all such plans and specifications for Improvements not yet acquired, constructed, improved or equipped shall, on the date of issuance of the Bonds, be filed by the Company with the Trustee for safekeeping (but the Trustee shall be under no affirmative obligation to review such plans and specifications) and shall be made available to each Notice Beneficial Owner upon request. The Company may revise the plans and specifications and the list of equipment to be acquired at any time prior to completion of the acquisition, construction, improvement and equipping of the Facilities described in EXHIBIT B attached hereto, provided that (a) a Company Representative shall certify to the Trustee that the Facilities described in EXHIBIT B attached hereto in accordance with the revised plans and specifications or equipment list will constitute a project permitted pursuant to the Act, (b) such Facilities when completed in accordance with the revised plans and specifications or equipment list will not differ from the Facilities described in EXHIBIT B attached hereto in any material aspect, (c) the Company shall comply with the requirements of
subparagraph (a) of the following paragraph, and (d) if applicable, the Company shall provide evidence that the Company has sufficient funds to construct and equip such Facilities.

In addition, the Company may make revisions to the plans and specifications or equipment list which will cause the Facilities to differ in a material aspect from the Facilities described in EXHIBIT B so long as the Company has obtained the prior written consent of the holders or Beneficial Owners of a majority in principal amount of the Bonds Outstanding and has provided the following to the Trustee and the City:

(a) if applicable, a construction budget and construction schedule for the completion of the Improvements as so revised;

(b) an Opinion of Bond Counsel acceptable to the City to the effect that such revisions will not adversely affect the validity of the Bonds or the exclusion of interest on the Series 2006A Bonds from gross income for federal income tax purposes;

(c) a revised EXHIBIT B attached hereto; and

(d) if applicable, evidence that the Company has sufficient funds to complete such Facilities (from any source).

Section 4.10 Surety Bonds; Company to Pursue Remedies Against Contractors and Subcontractors and Their Sureties. The Company shall secure from each contractor directly employed by the Company or from any subcontractor to such contractor in connection with the acquisition, construction, improvement and equipping of the Facilities under a contract or contracts totaling over $50,000 payment and performance bonds executed by a responsible surety company authorized to do business in the State of Florida in a sum equal to the entire amount to become payable. Each bond shall be conditioned on the completion of the work under the contract with such general contractor or subcontractor in accordance with the plans and specifications and upon the payment of all claims of subcontractors and suppliers. A dual obligee rider in favor of the City and the Trustee shall be obtained by the Company for each such bond obtained prior to and after the date of the delivery of the Bonds. Each such bond shall be delivered by the Company to the Trustee and the City, promptly upon receipt thereof by the Company.

In the event of a material default of any contractor or subcontractor under any contract in connection with the acquisition, construction, improvement and equipping of the Facilities or in the event of a material breach of warranty with respect to any material, workmanship or performance guaranty, the Company will promptly proceed to exhaust the remedies of the Company, the City and the Trustee against the contractor, subcontractor or supplier in default and against any surety for the performance of such contract. The Company shall advise the City and the Trustee of the steps it intends to take in connection with any such default. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing shall be paid into the Project Fund, net of legal fees and other reasonable collection costs, unless recovered after the Completion Date and full disposition of the Project Fund in accordance with the Indenture, in which case such amounts shall first be used to correct defects created by such default or breach of warranty or to reimburse the Company for amounts paid by
the Company to correct such defects and, second, any excess shall be deposited in to the Bond Principal Fund.

Section 4.11 Payment of Operating Expenses. The City has, in the Indenture, authorized and directed the Trustee to make payments from the Operating Expense Fund to or at the direction of the Company, subject to the terms and conditions of the Indenture. The Company hereby covenants and agrees that all amounts drawn by the Company from the Operating Expense Fund shall be applied solely to the payment of Operating Expenses (other than payments to the Developer under the Development Agreement or the Property Management Agreement, or the Manager under the Management Agreement).

Section 4.12 Disbursements From the Repair and Replacement Reserve Fund. The City has, in the Indenture, authorized and directed the Trustee to make payments from the Repair and Replacement Reserve Fund to or at the direction of the Company, subject to the terms and conditions of the Indenture. The Company hereby covenants and agrees that all amounts drawn by the Company from the Repair and Replacement Reserve Fund shall be applied solely for the purposes permitted under the Indenture.

Section 4.13 Disbursements From the Revenue Fund. The City has, in the Indenture, authorized and directed the Trustee to make payments from the Revenue Fund to or at the direction of the Company, subject to the terms and conditions of the Indenture, following all required deposits specified in paragraphs (a) through (e) of Section 3.3 thereof. The Company hereby covenants and agrees that all amounts drawn by the Company from the Revenue Fund shall be applied solely for the purposes permitted under Section 3.3(f) of the Indenture.

Section 4.14 Maintenance of Tax Status. Subject to Section 4.15 hereof, the Company Manager agrees that it will at all times maintain its existence as a nonprofit corporation and its status as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code. Company Manager agrees that it will not take any action or permit any action to be taken by others which will adversely affect its status as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(c) of the Code. Notwithstanding any provision hereof or of the Indenture to the contrary, the Company Manager will not take any action or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue (including, without limitation, any action or circumstance which would result in the revocation or modification of its status as an organization described in Section 501(c)(3) of the Code), if such action or circumstance would adversely affect the validity of the Series 2006A Bonds or cause the interest on the Series 2006A Bonds to be included in the gross income of the Holders thereof for purposes of federal income taxation.

Company Manager further agrees that none of its revenues, income or profits, whether realized or unrealized, will be distributed to any of its directors or inure to the benefit of any private Person other than for the lawful corporate purposes of Company Manager provided that Company Manager or may pay to any Person the reasonable value of any service performed for or any product supplied to Company Manager by that Person.
Company Manager shall remain as the sole member of the Company unless the Company shall have delivered to the City an Opinion of Bond Counsel to the effect that any change in said relationship shall not materially adversely affect the excludability of interest on the Series 2006A Bonds from the gross income of the Holders for federal income tax purposes.

Section 4.15 Maintenance of Existence. The Company agrees that (a) during the term of this Loan Agreement it will maintain its corporate existence as a Florida limited liability company and will be duly qualified to transact business in the State of Florida, (b) without the prior consent of the Trustee the Company will not dissolve, will not sell, lease (except as otherwise permitted herein), transfer or otherwise dispose of all or any material portion of the Facilities or any of its other assets, will not receive from any other Person by sale, lease, transfer or otherwise all or a material portion of such Person’s assets, will not consolidate with or merge into another Person, and will not permit one or more other Persons to consolidate with or merge into it.

The Company shall provide the City and the Trustee with all financial and other information regarding any Person and transaction contemplated in this Section 4.15 reasonably requested by the City or the Trustee prior to requesting the consent of the Trustee to any such transfer, conveyance, lease, sale or merger.

ARTICLE V

OBLIGATIONS; PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable.

(a) To provide for the repayment of the Loan and required deposits under Section 3.3 of the Indenture, the Company shall cause all Pledged Revenues to be delivered to the Trustee, as and when received, for deposit into the Revenue Fund, to be applied in accordance with the Indenture.

(b) Upon any acceleration of amounts due under the Loan Agreement, the Company shall immediately pay as repayment of the Loan, for deposit as provided in the Indenture, an amount which, together with other moneys available under the Loan Agreement, is sufficient to pay the entire principal of and interest on the Bonds and all other amounts payable under this Loan Agreement and the Indenture, including, without limitation, Default Interest through the date of payment.

(c) On or before any redemption date (other than a sinking fund redemption date) for which a notice of redemption has been given pursuant to the Indenture, the Company shall pay as repayment of the Loan, for deposit in the Bond Principal Fund, an amount which, together with other moneys available therefor in the Bond Principal Fund (and, if all Bonds are called for redemption, the Debt Service Reserve Fund), is sufficient to pay the principal of and premium, if any, on the Bonds called for optional or mandatory redemption, and for deposit into the Bond Interest Fund an amount of money which, together with other moneys available therefor in the Bond Interest Fund, is sufficient to pay the interest accrued to the redemption date on the Bonds called for optional or mandatory redemption. If on any principal or interest payment date on the
Bonds or the date any other amounts are payable on the Bonds the amount held by the Trustee in the Bond Principal Fund and the Bond Interest Fund is insufficient to make the required payments of principal of, premium, if any, and interest on the Bonds, the Company shall forthwith pay such deficiency as repayment of the Loan for deposit in the Bond Principal Fund or the Bond Interest Fund, as the case may be.

(d) At the option of the Company, so long as no default or Event of Default has occurred or is occurring, to be exercised by delivery of a written certificate to the Trustee and the City not less than 45 days next preceding the applicable sinking fund redemption date, the Company may (i) deliver to the Trustee for cancellation Bonds in an aggregate principal amount desired by the Company or (ii) specify a principal amount of such Bonds which prior to said date have been redeemed (otherwise than through the operation of the applicable sinking fund) and canceled by the Trustee and not theretofore applied as a credit against the respective sinking fund redemption obligation. Each such Bond so delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Company on such respective sinking fund redemption date for Bonds and any excess over such amounts shall be credited against future sinking fund redemption obligations for such Bonds as directed by the Company Representative. In the event the Company shall avail itself of the provisions of clause (i) of the first sentence of this paragraph, the certificate required by the first sentence of this paragraph shall be accompanied by the Bonds to be canceled.

(e) The Company agrees to pay to the Trustee as an Operating Expense, the reasonable and necessary fees and expenses of the Trustee, including the reasonable fees and other costs incurred for the services of any paying agent or engineers, architects, attorneys, management consultants, accountants and other consultants employed by the Trustee to make examinations and reports, provide services and render opinions required under the Loan Agreement or the Indenture, plus the Company agrees to pay to the appropriate party the fees and expenses of any rebate analyst selected by the Trustee as provided in the Indenture, as and when the same become due, upon submission of a statement therefor.

(f) The Company agrees to pay to the Trustee as an Operating Expense all amounts to be deposited to the Rebate Fund, as and when the same become due as determined pursuant to the Tax Certificates, to the extent there are no other amounts available to make such deposits, and the City shall cause the Trustee to apply such funds in compliance with the terms of the Indenture.

(g) The Company agrees to pay as an Operating Expense all costs and expenses which may be incurred in connection with any removal or substitution of the Trustee and the appointment of any successor trustee.

(h) The Company agrees to pay to the City and the Trustee as an Operating Expense the costs associated with the transfer or exchange of Bonds and all other costs for which it is responsible pursuant to the Indenture.

(i) The Company agrees to pay to the Trustee for deposit to the Debt Service Reserve Fund, amounts necessary to restore any deficiency in the Debt Service Reserve Fund within ninety (90) days of the date of such deficiency.
Section 5.2  Payees of Payments. The Payments provided for in Section 5.1(a), (b), (c) and (i) hereof shall be paid in federal funds immediately available in the city in which the designated office of the Trustee is located directly to the Trustee for the account of the City and shall be deposited as provided in the Indenture. The Payments provided for in Section 5.1(f) hereof shall be paid in federal funds immediately available in the city in which the designated office of the Trustee is located directly to the Trustee for the benefit of the United States of America and shall be deposited in the Rebate Fund. The payments to be made under Section 5.1(e) hereof shall be paid directly to the payee for its own use.

Section 5.3  Obligations of Company Hereunder Unconditional. The obligations of the Company to make the payments required in Section 5.1 hereof and the deposits required by Section 3.3 of the Indenture and to perform and observe the other agreements on its part contained herein and in the Indenture shall be absolute and unconditional. The Company (a) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for in Section 5.1 hereof and any deposits required by Section 3.3 of the Indenture, (b) will perform and observe all of its other agreements contained in this Loan Agreement, and (c) except as provided in Article XI hereof, will not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, failure to acquire, construct, improve and equip the Facilities, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to its school facilities, commercial frustration of purpose, or change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of Florida or any political subdivision of either, any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Loan Agreement, whether express or implied, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, whether express or implied. Nothing contained in this Section shall be construed to release the City from the performance of any agreements on its part herein contained, and if the City shall fail to perform any such agreement, the Company may institute such action against the City as the Company may deem necessary to compel performance, provided that no such action shall violate the agreements on the part of the Company contained herein. The Company may, however, at its own cost and expense and in its own name or in the name of the City, prosecute or defend any action or proceeding or take any other action involving third persons which the Company deems reasonably necessary in order to secure or protect its right of possession, occupancy and use of the Facilities, and in such event the City hereby agrees to cooperate fully with the Company (without expense to the City).

ARTICLE VI

MAINTENANCE AND INSURANCE

Section 6.1  Maintenance and Modifications. The Company agrees that during the term of this Loan Agreement its Property, Plant and Equipment shall be operated and maintained in substantial compliance with all laws, building codes, ordinances and regulations and zoning laws as shall be applicable to the Property, Plant and Equipment. The Company agrees that during the term of this Loan Agreement it will at its own expense (a) keep the Property, Plant and Equipment in as reasonably safe condition as its operations permit and (b) keep the Property,
Plant and Equipment in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof. The Company may also at its own expense, make from time to time any additions, modifications or improvements to the Property, Plant and Equipment it may deem desirable for its purposes that do not adversely affect the structural integrity of any building or substantially reduce its value or impair the character of its use permitted pursuant to the Act and this Loan Agreement, provided that all such additions, modifications, renovations, repairs and improvements made by the Company shall become a part of the Property, Plant and Equipment and shall become subject to the lien of this Loan Agreement; provided, however, that nothing in this subsection shall prevent the Company from ceasing to operate any immaterial portion of the Property, Plant and Equipment. The Company hereby covenants and agrees that it shall not construct any improvements or install any equipment on any portion of the Property, located within a federally-designated flood hazard zone unless and until such property shall be insured against loss or damage by flood in accordance with Section 6.2(a) hereof.

Section 6.2 Insurance.

(a) Throughout the term of this Loan Agreement, the Company will keep the Property (or cause the Property to be kept) continuously insured against such risks as are customarily insured against with respect to property similar to the Property by businesses of like size and type, paying as the same becomes due all premiums in respect thereto, including but not necessarily limited to:

(i) Insurance to the full insurable value of the Property, Plant and Equipment of the Company as determined by the Company sufficient to prevent the Company from being a co-issuer (and in no event less than the principal amount of the Bonds Outstanding from time to time), against loss or damage by fire, lightning and flood (if the Property is located within a federally-designated flood hazard zone) and such other risks and matters, including without limitation, rental loss, public liability and boiler insurance, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at that time customarily used in the State where such property is located, provided that the insurance required by this subsection may contain a deductible provision and be in amounts which in the opinion of an Insurance Consultant is normal and reasonable.

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property and the adjoining streets, sidewalks and passageways, such insurance to afford protection of the type and in an amount which in the opinion of an Insurance Consultant is normal and reasonable with respect to bodily injury and property damage.

(iii) Rental or business interruption insurance against abatement of rent resulting from fire or other casualty in an amount not less than the greater of $1,000,000 or Maximum Annual Debt Service, with the proceeds from such rental or business interruption insurance being payable to the Company and the Trustee, as their respective interest may appear.
(iv) Worker's compensation insurance as required by law.

(b) All policies of insurance shall be issued by an insurer authorized to do business in the State where the respective property is located having a rating of at least A:6 in Best's Key Rating Guide. Not later than 30 days prior to the expiration date of each of the insurance policies, the Company will deliver to the Trustee satisfactory evidence of the renewal of each of the policies. If at any time the Trustee is not in receipt of written evidence that all insurance required hereunder is in full force and effect, the City and Trustee will have the right without notice to the Company to take such action as the City or the Trustee deems necessary to protect its interest in the Property, including without limitation the obtaining of such insurance coverage as the Trustee or the City in their sole discretion deem appropriate, and all expenses incurred by the Trustee or the City in connection with such action or in obtaining such insurance and keeping it in effect will be paid by the Company to the Trustee or the City upon demand; provided, however, that if that the Trustee takes any such action, the City shall give the Company notice of such action within five Business Days thereof.

(c) All of the insurance policies required pursuant to this Section 6.2 will (i) contain a standard noncontributory form of mortgage clause (in favor of the Trustee and entitling the Trustee to collect any and all proceeds payable under such insurance), as well as a standard waiver of subrogation endorsement, and in the case of such liability policy, name the Trustee as an additional insured, all to be in form and substance satisfactory to the Trustee; (ii) provide, to the extent obtainable, that such policies may not be canceled or amended to diminish the coverage thereunder without at least 30 days prior written notice to the Trustee; and (iii) provide that no act, omission or negligence of the Company, or its agents, servants or employees, or of any tenant under any lease, which might otherwise result in a forfeiture of such insurance or any part thereof, shall in any way affect the validity or enforceability of such insurance insofar as the City or the Trustee are concerned. The Company will not carry separate insurance, concurrent in kind or form or contributing in the event of loss, with any insurance required under this Section 6.2.

The Company shall retain an Insurance Consultant to review the insurance requirements of the Company at the date of issuance of the Bonds and from time to time thereafter (but not less frequently than every two years) and to cause a certificate to be delivered to the Trustee and to the Notice Beneficial Owners as to whether the insurance being maintained is in compliance with the requirements of this Section. If the Insurance Consultant makes recommendations for the increase of any coverage, the Company shall increase or cause to be increased such coverage in accordance with such recommendations. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Company may decrease or eliminate such coverage in accordance with such recommendations, to the extent that the Governing Body determines in good faith that such recommendations are in the best interest of the Company.

Notwithstanding anything in this Section to the contrary, the Company shall have the right, without giving rise to an Event of Default solely on such account, (a) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Company furnishes to the Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection
with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence; or (b) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other charter, private or public schools in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Company. If the Company shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually. Notwithstanding the other provisions of this Section, the Company shall not self-insure (other than with respect to reasonable deductibles certified as such in an Officer's Certificate or otherwise participate in programs described in (b) of this paragraph with respect to any insurance against loss or damage to the Property, Plant and Equipment by fire, lightning, vandalism, malicious mischief or other casualty or with respect to boiler insurance and provided further that, the Company shall not self-insure if such self-insurance has a material adverse effect on reimbursement from any third party payor unless its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such self-insurance is in the best interests of the Company and the Company has given prior notice of such self-insurance to the Trustee and the Notice Beneficial Owners.

The Company Representative shall deliver to the Trustee (a) upon execution and delivery of this Loan Agreement, the originals or certified copies thereof of all insurance policies which the Company is required to maintain pursuant to this Section, together with a Certificate of the Company Representative that payment of all premiums then due thereon has been made, (b) at least 30 days prior to the expiration of any such policies evidence as to the renewal thereof, if then required by this Section or the terms of such policies, and an Officer's Certificate of the Company Representative that payment of all premiums then due with respect thereto has been made, and (c) promptly upon request by the Trustee, but in any case within 90 days after the end of each calendar year, a certificate of the Company Representative setting forth the particulars as to all insurance policies maintained by the Company pursuant to this Section and certifying that such insurance policies are in full force and effect, that such policies comply with the provisions of this Section and that all premiums then due thereon have been paid.

ARTICLE VII

CASUALTY LOSS AND CONDEMNATION

Section 7.1 Insurance and Condemnation Proceeds. In the event that damage or destruction to the Property or any portion thereof occurs such that claims for loss do not exceed $100,000 or in the event title to or the temporary use of the Property, or any portion thereof, will be taken under the exercise of the power of eminent domain and the Net Proceeds from any condemnation award are less than $100,000, the Net Proceeds of insurance resulting from such claims or from any such condemnation award will be paid to the Company and will be used for
such purposes as the Company, in its discretion, may deem appropriate. In the event that any
damage or destruction is such that claims for loss are in excess of $100,000, or the Net Proceeds
from any condemnation award are in excess of $100,000, the Net Proceeds of insurance resulting
from such claims or from any such condemnation award will be held by the Trustee, and subject
to the written consent of the owners or Beneficial Owners of a majority of the Bonds
Outstanding, the Company will elect to have the Net Proceeds received applied to either the
redemption of the Bonds or to repair, rebuild, restore or replace the property. If the Company
elects the latter option, then the Net Proceeds will be paid by the Trustee from a separate
account, from time to time, upon receipt of one or more requisitions of the Company.
Disbursements from such account shall be made in the same manner as disbursements from the
Project Fund as set forth in Section 4.3 hereof. The Company may elect to redeem less than all
of the Bonds only if (a) the property damaged, destroyed or condemned is not essential to the
Company's use or occupancy of the Property and the failure to repair, rebuild, or replace the
same will not violate the Act; (b) the Property has been restored to a condition substantially
equivalent to their condition prior to such damage, destruction or condemnation; or (c) suitable
replacement property has been acquired for the Company's operations.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.1  No Warranty of Condition or Suitability by the City. The City makes no
warranty, either express or implied, as to the condition of the Facilities, or that they will be
suitable for the purposes or needs of the Company.

Section 8.2  Further Assurances. The City and the Company agree that they will, from
time to time, execute, acknowledge and deliver, or cause to be executed, acknowledge and
delivered, such supplements hereto and such further instruments as may reasonably be required
for carrying out the intention of or facilitating the performance of this Loan Agreement.

Section 8.3  Annual Audit; Reports. The Company will have the books and records of
the Company audited annually by an independent auditor of national reputation, and shall furnish
within 120 days after the end of each Fiscal Year to the City, the Notice Beneficial Owners, the
Underwriter and the Trustee a copy of the audit report certified by independent public
accountants and an Officer's Certificate detailing student performance during the preceding
Fiscal Year including, without limitation, all federal and state information required to be reported
in accordance with the timelines and specifications of the School Board and the State
Department of Education.

Section 8.4  Financial Statements and Reports; Annual Budgets. The Company agrees
that it will maintain proper books of records and accounts of its Property, Plant and Equipment
with full, true and correct entries of all of its dealings in accordance with generally accepted
accounting principles, and that it will furnish to the Trustee, the Underwriter and Notice
Beneficial Owners quarterly within 45 days after the close of each such quarter, (a) financial
statements, including a statement of income in comparative form, to the extent practicable, with
the financial figures from the corresponding period in the preceding Fiscal Year and a balance
sheet as of the end of each such period and of the preceding Fiscal Year; (b) an Officer's
Certificate stating the student enrollment as of the close of such quarter and as of the end of the most recent academic year; and (c) an Officer's Certificate attesting to the Long-Term Debt Service Coverage Ratio for the four consecutive fiscal quarters ending with the quarter addressed in such quarterly financial statements. Not later than 90 days prior to the end of each Fiscal Year, the Company shall deliver to the City, the Trustee, and the Notice Beneficial Owners a detailed annual budget for the following Fiscal Year, on an accrual basis, reflecting all projected Operating Expenses by item and type consistent in presentation with the audited financial statements delivered pursuant to Section 8.3 hereof, and otherwise containing such detail as shall enable the Trustee to make transfers to the Operating Expense Fund as provided in Section 3.3(c) of, and consistent with the other requirements of, the Indenture. Each annual budget delivered pursuant to this Section shall present the projected performance of the Facilities in a manner that satisfies the requirements of Section 8.15 of this Loan Agreement and, to the extent such annual budget does not in any regard present the projected performance of the Facilities in a manner that satisfies the requirements of Section 8.15 hereof such annual budget shall be accompanied by an Officer's Certificate disclosing the manner in which the annual budget delineates performance not in compliance with Section 8.15 hereof and detailing the reason or reasons therefor and the Company's plan for remedying the same. The Company agrees that it will furnish to the City, the Trustee, and each Notice Beneficial Owner all reports received from the Construction Representative as and when received.

Section 8.5 Release and Indemnification Covenants. The Company agrees to protect and defend the City, its former, present and future councilmembers and each person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management or policies, now or hereafter, of the City and to protect and defend the Trustee, its officers, employees and agents (collectively, the "Indemnified Parties" and individually, the "Indemnified Party") and further agrees to indemnify and hold harmless the Indemnified Parties from and against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and court costs, including those for post-judgment and appellate proceedings), judgments, claims, demands, suits, actions or other proceedings of whatsoever kind or nature (including, without limitation, those in any manner directly or indirectly arising or resulting from, out of or in connection with any injury to, or death of, any person or damage to property but excluding those arising or resulting from any intentional misrepresentation or any negligence or willful and wanton misconduct of any Indemnified Party or Indemnified Parties) in any manner directly or indirectly (in any case, whether or not by the Company, or its successors and assigns, or directly or indirectly through the agents, contractors, employees, licensees or otherwise of the Company, or its successors and assigns) arising or purportedly arising from this Loan Agreement, the Indenture, the Bonds, the initial and any subsequent offers and sales of the Bonds, the Tax Certificates or the transactions contemplated hereby and thereby, the Project and the ownership or the operation by the Company of the Property, Plant and Equipment, the breach or violation of its or any material inaccuracy or material omission in any agreement, covenant, representation or warranty of the Company set forth herein or in any document delivered pursuant hereto.

The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Loan Agreement or the termination of this Loan Agreement for any reason.
Section 8.6 Company Representative. Whenever, under the provisions of this Loan Agreement, the Tax Certificates or the Indenture, the approval or direction of the Company is required, or the City or the Trustee is required to take some action at the request of the Company, such approval or such request shall be made by the Company Representative unless otherwise specified in this Loan Agreement, the Tax Certificates or the Indenture. The City or the Trustee shall be authorized to act on any such approval or request and the Company shall have no complaint against the City or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Loan Agreement, the Tax Certificates or the Indenture by the Company Representative shall be on behalf of the Company and shall not result in any personal liability of such Company Representative except as to those matters that represent the personal agreement or covenant of the Company Representative, as specifically provided in this Loan Agreement.

Section 8.7 Leases and Operating Contracts. The Company may lease (as lessor) any part of the Property from which it derives revenues or contract for the performance by others of operations or services on or in connection with the Property from which it derives revenues, or any part thereof, for any lawful purpose, provided that (a) the Trustee shall receive written notice of such lease or contract if such lease or contract has a value in excess of $250,000 or a duration longer than six months, (b) each such lease or contract shall not be inconsistent with the provisions of the Indenture or this Loan Agreement, (c) the Company shall remain fully obligated and responsible under this Loan Agreement to the same extent as if such lease or contract had not been executed, and (d) no such lease or operating contract shall adversely affect the validity of the Bonds or the exclusion of interest on the Series 2006A Bonds from gross income for federal and state income tax purposes. The Trustee shall request the Company to deliver an opinion of Bond Counsel addressed to the Trustee relating to the matters set forth in (d) above if the Company enters into a lease or operating contract covered by this Section 8.7 and the delivery of such opinion shall be a condition precedent to the Company entering into such a lease or operating contract.

Section 8.8 No Default Certificate. Within 120 days after the end of each Fiscal Year, the Company shall furnish to the Trustee a certificate of the Company Representative stating that no Event of Default under Section 10.1 hereof has occurred and is continuing and that the Company Representative has no knowledge after due inquiry of an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default under Section 10.1 hereof, respectively, or describing any such Event of Default or event known to the Company or the Company Representative.

Section 8.9 Limitations on Creation of Liens.

(a) The Company agrees that it will not create or suffer to be created or permit the existence of any Lien on any tangible or intangible assets of the Company other than Permitted Liens, as described in clause (b) of this Section.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits with the Company in connection with leases of real estate, bids or contracts (other than contracts for the
(ii) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Company to maintain self-insurance or to participate in any funds established to cover any insurance losses or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) any judgment lien against the Company so long as such judgment is being contested in good faith and execution thereon is stayed and it will not materially interfere with or materially impair the operations conducted on the Property, Plant and Equipment;

(iv) (A) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting its Property, Plant and Equipment, (B) any liens on the Property, Plant and Equipment for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with the Property, Plant and Equipment which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 60 days; (C) easements, rights-of-way servitude, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances and irregularities in the title to the Property which in the opinion of the Company Representative do not materially impair the use of the Property, Plant and Equipment for its intended purpose or materially and adversely affect the value thereof provided that the Company Representative shall have given the Trustee written notice thereof at least 90 days before the imposition of such Lien; and (D) statutory landlord's liens;

(v) any Lien securing Additional Indebtedness permitted hereby;

(vi) any Lien created by the Indenture or this Loan Agreement;

(vii) any Lien described in EXHIBIT C attached hereto; and

(viii) any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness permitted hereunder and any earnings thereon prior to the application of such proceeds and such earnings, and any Liens on trust funds established and held by a trustee or creditor with respect to Indebtedness permitted hereunder.
Section 8.10 Limitations on Indebtedness. The Company may incur Additional Indebtedness, if the Income Available for Debt Service for the four immediately preceding fiscal quarters of the Company is not less than 120% of the Long-Term Debt Service Requirements in such period, taking into account the Loan and Indebtedness then Outstanding and the Additional Indebtedness proposed to be incurred and so long as the total amount of Additional Indebtedness outstanding at any time does not exceed 10% of the book value of the Company’s unrestricted assets, determined in accordance with generally accepted accounting principals. In addition, the Company may incur Parity Indebtedness as provided in Section 8.12 of this Loan Agreement.

Section 8.11 Subordinated Debt. Subordinated Debt shall include only Indebtedness of the Company incurred pursuant to loan agreements, credit agreements or similar arrangements ("Subordinate Loan Documents") which contain provisions substantially to the following effect:

(a) Subordinated Debt and any Lien securing subordinated debt shall, to the extent and in the manner hereinafter set forth, be fully subordinated to the Superior Indebtedness and any Lien granted to secure Superior Indebtedness as herein defined. For all purposes of this Section the term "Superior Indebtedness" shall mean all obligations of the Company arising under this Loan Agreement and all amounts due or to become due under the Indenture and the Bonds (the "Loan Documents"), as each may be supplemented and modified to the date hereof, or as the same may hereafter from time to time be further supplemented and modified, and any other obligations secured by or evidenced by such Loan Documents, including, without limitation, post-petition interest whether or not allowable under applicable law.

(b) No action or proceedings, judicial or otherwise (including without limitation the commencement of or joinder in any bankruptcy or liquidation), shall be instituted or pursued by the holder of any Subordinated Debt (together, the "Subordinate Creditors"), nor shall such Subordinate Creditors take steps to enforce any judgments or encumbrances on assets of the Company pledged to the payment of the obligations of the Company arising under any Subordinate Loan Document (an "Enforcement Action"), other than an action to compel specific performance, subject to the subordination herein set forth, unless all Bondholders shall have consented thereto, or the Bondholders shall have been paid in full or provision therefor shall have been made in accordance with the terms of the Indenture.

(c) No payment on account of Subordinated Debt shall be made, nor shall any property or assets pledged to the payment of the obligations of the Company arising under any Subordinate Loan Document, be applied to the payment or prepayment of Subordinated Debt, unless payment of all amounts then due and payable on Superior Indebtedness have been made or duly provided for in accordance with the terms of the Loan Documents. No payment under any Subordinate Loan Document may be made prior to full payment of Superior Indebtedness, if, at the time of such payment or application or immediately after giving effect thereto, (i) there shall exist any default in the payment of any Superior Indebtedness, or (ii) there shall have occurred an Event of Default with respect to the Bonds or any Superior Indebtedness.

(d) Upon (i) any acceleration of maturity of the principal amount due on any Subordinated Debt or (ii) any payment or distribution of any kind or character, whether in cash, property or securities, upon any dissolution or winding-up or total or partial liquidation, reorganization or arrangement of the Company, whether voluntary or involuntary or in
bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest (including post-petition interest whether or not allowable) due or to become due upon the Bonds and all Superior Indebtedness shall first be paid in full in cash, or payment thereof provided for in accordance with the terms of the Indenture, before any payment is made on account of the Subordinated Debt, and upon any such dissolution or winding-up or liquidation, reorganization or arrangement, any payment or distribution of any kind or character, whether in cash, property or securities, to which the holders of the Subordinated Debt would be entitled, except for the provisions hereof, shall be paid by the Company, or by a receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, to the Trustee to the extent necessary to pay all Superior Indebtedness in full in cash, before any payment or distribution is made to the holders of the Subordinate Debt.

(e) In the event that, in violation of any of the foregoing provisions, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by any Subordinate Creditor before all Bonds and Superior Indebtedness is paid in full in cash or provision for such payment in accordance with the terms of the Indenture, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to the Trustee for application to the payment of all Bonds remaining unpaid to the extent necessary to pay all such Bonds in full in accordance with their terms.

(f) Neither the Trustee nor any present or future holder or Beneficial Owner of any Bonds shall be prejudiced in any right to enforce subordination of the indebtedness evidenced by the Subordinate Loan Documents by any act or failure to act on the part of the Company or anyone in custody of its assets or property.

(g) The foregoing subordination provisions shall be for the benefit of the holders and Beneficial Owners of Bonds and may be enforced by the Trustee against the holders of Subordinate Indebtedness or any trustee therefor.

The foregoing provisions are solely for the purpose of defining the relative rights of the holders of Superior Indebtedness on the one hand and the holders of the Subordinated Debt on the other hand, and nothing therein shall impair, as between the Company and the holders of the Subordinate Indebtedness, the obligation of the Company, which is unconditional and absolute, to pay to the holders thereof the principal thereof, premium, if any, and interest thereon in accordance with its terms.

Section 8.12 Parity Indebtedness. The Company covenants not to incur or assume any Parity Indebtedness unless the Company has received the written consent of the holders or Beneficial Owners of 100% of the principal amount of the Bonds Outstanding. Upon issuance of Parity Indebtedness, such debt will be entitled to share on a parity in all property and rights securing the Bonds, except the moneys in the Funds, which shall secure only the Bonds.

Unless otherwise consented to in writing by the holders or Beneficial Owners of 100% of the principal amount of the Bonds Outstanding, all instruments creating or securing Parity Indebtedness shall (a) provide that the Trustee shall have the sole power to select remedies to be used to enforce rights against common security for the Bonds, subject to the right of the owners of a majority in aggregate principal amount of the sum of the Bonds then Outstanding to direct
remedies in the manner provided in the Indenture, (b) provide that the holders of Parity Indebtedness or the trustee therefor shall undertake such actions as may be requested by the Trustee that are reasonably necessary to effectuate the purposes of clause (a), and (c) contain cross default provisions with the Loan Agreement, the Indenture and all other instruments creating Parity Indebtedness.

All collateral given or to be given to secure Parity Indebtedness (other than credit enhancement devices such as letters of credit, insurance or surety bonds and other than reserve funds established solely for such Parity Indebtedness) shall also secure the obligations of the Company under the Loan Agreement on a parity basis; and the instruments under which any Parity Indebtedness is incurred shall contain provisions that all Parity Indebtedness and the obligations of the Company under the Loan Agreement shall be secured equally and ratably by all such security provided for any such Parity Indebtedness. The Property, the Pledged Revenues and any other collateral at any time given to secure the obligations of the Company under the Loan Agreement (other than the Funds) shall likewise secure Parity Indebtedness, and such shall be set forth and so provided in any instrument securing Parity Indebtedness. No release by or permission from the City and the Trustee under the Loan Agreement shall be necessary (other than the Company's payment of any Trustee fees or any fees or expenses of the Trustee) to allow such collateral to be pledged pursuant to any instrument relating to Parity Indebtedness, so long as the conditions of the Loan Agreement are complied with.

Section 8.13 Transfer of Assets. The Company agrees that it will not Transfer assets without the consent of 100% of the owners of the Bonds Outstanding, except for Transfers of assets:

(a) to any Person if prior to the sale, lease or other disposition there is delivered to the Trustee an Officer's Certificate stating that such assets have or will within the next 12 months become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency, or economic value of the remaining assets of the Company or the operation of the Facilities; or

(b) with respect to any Transfer of assets, to any Person in the ordinary course of the Company's business and on terms not less favorable to the Company than arm's length; or

(c) to any Person if the aggregate net book value of the assets transferred pursuant to this clause in any five consecutive Fiscal Years, does not exceed 5% of the net book value of all assets of the Company as shown in the Audited Financial Statements for the most recent Fiscal Year; or

(d) to any Person, if the Company shall determine to sell all or substantially all of its assets, and (i) the Company exercises its option to prepay the Loan, or (ii) the holders of 100% of the Bonds Outstanding shall consent to such transfer, all as provided in section 8.14 hereof.

Section 8.14 Consolidation, Merger, Sale or Conveyance. The Company covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to, any Person, unless (a) such merger, consolidation or sale shall be consented to in writing by the
holders or Beneficial Owners of 100% of the Bonds Outstanding, or (b) the Company shall elect to prepay the Loan and redeem the Bonds in accordance with Section 5.1 of the Indenture.

Section 8.15  Financial Covenants.

(a) The Audited Financial Statements delivered by the Company pursuant to Section 8.3 hereof shall include a calculation of the Long-Term Debt Service Coverage Ratio for the Fiscal Year addressed therein. If the Long-Term Debt Service Coverage Ratio for any Fiscal Year shall be less than 1.20 to 1.00, the Company covenants to retain a Consultant at the expense of the Company, within 150 days after the end of the relevant Fiscal Year, to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the then-current Fiscal Year to such level or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Consultant's recommendations may include that the Manager and/or Project Manager be replaced. Any Consultant so retained shall be required to submit such recommendations to the Trustee and the Notice Beneficial Owners within 90 days after being so retained. The Company agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. The Company shall not be obligated to retain such a Consultant more often than once during any twenty-four month period. If the Company retains such Consultant within the required period, the Consultant delivers the required report within 90 days after Consultant's retention, and the Company implements the recommendations of the Consultant, but the Company fails to satisfy the Long-Term Debt Service Coverage Ratio for the following Fiscal Year, such failure shall not be a default or Event of Default under this Loan Agreement. Notwithstanding the foregoing, the failure of the Company to obtain a Long-Term Debt Service Coverage Ratio of at least 1.00 for any Fiscal Year shall be an Event of Default hereunder.

(b) The Audited Financial Statements delivered by the Company pursuant to Section 8.3 hereof shall include a calculation of the Average Daily Expenses for the Fiscal Year therein reported. The Company covenants that it shall have unrestricted immediately available funds on hand (not including any Funds held by the Trustee under the Indenture), at all times during each of the following Fiscal Years, in an amount equal to the Average Daily Expenses calculated for the immediately prior Fiscal Year times the number of days indicated:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>No. of Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>20</td>
</tr>
<tr>
<td>2009-10</td>
<td>25</td>
</tr>
<tr>
<td>2010-11</td>
<td>30</td>
</tr>
<tr>
<td>2011-12</td>
<td>35</td>
</tr>
<tr>
<td>2012-13</td>
<td>40</td>
</tr>
<tr>
<td>2013-14</td>
<td>45</td>
</tr>
<tr>
<td>2014-15 and thereafter</td>
<td>50</td>
</tr>
</tbody>
</table>

On or before each Interest Payment Date the Company shall provide to the Trustee and each Notice Beneficial Owner an Officer's Certificate attesting to the number of days Average Daily Expenses the Company held in unrestricted immediately available funds as of the date thirty days before such Interest Payment Date (not including any Funds held by the Trustee under the Indenture). If the Company shall fail at any time to maintain unrestricted immediately
available funds (not including any Funds held by the Trustee under the Indenture) equal to the number of days Average Daily Expenses set forth in the foregoing table for the relevant Fiscal Year, it shall not be a default or Event of Default under the Loan Agreement or the Indenture, but payments due under the Management Agreement and the Property Management Agreement shall be suspended (and shall not accrue or be thereafter owning by the Company), and payments due under the Development Agreement shall be deferred until such time as the Company obtains unrestricted immediately available funds (not including Funds held by the Trustee under the Indenture but including the payments due under the Development Agreement proposed to be paid) at least equal to the number of days Average Daily Expenses set forth in the foregoing table for the relevant Fiscal Year.

(c) At the same time it files reports with the State and the School Board but not less than once each academic semester, the Company shall calculate the student enrollment for the current academic semester and shall furnish an Officer's Certificate reflecting such enrollment to the Trustee and the Notice Beneficial Owners. The Company covenants that the Facilities shall obtain student enrollment at the levels indicated for each academic semester during each Fiscal Year as follows:

<table>
<thead>
<tr>
<th>School Year</th>
<th>Number of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 – 2007</td>
<td>788</td>
</tr>
<tr>
<td>2007 – 2008</td>
<td>1,080</td>
</tr>
<tr>
<td>2008 – 2009 and thereafter</td>
<td>1,337</td>
</tr>
</tbody>
</table>

If the Company shall fail to obtain student enrollment at least equal to the foregoing levels for any academic semester during any Fiscal Year, the Company covenants to retain a Consultant at the expense of the Company, within 30 days, to make recommendations to increase enrollment. The Consultant's recommendations may include that the Manager and/or Project Manager be replaced. Any Consultant so retained shall be required to submit such recommendations to the Trustee and the Notice Beneficial Owners within 90 days after being so retained. The Company agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. The Company shall not be obligated to retain such a Consultant more often than once during any twenty-four month period. If the Company retains such Consultant within the required 30 days, the Consultant delivers the required report within 90 days after the Consultant's retention, and the Company implements the recommendations of the Consultant, but the Company fails to satisfy the enrollment covenant for such following academic semester, such failure shall not be a default or Event Default under this Loan Agreement. Notwithstanding the foregoing, the failure of the Company to obtain enrollment at least equal to 90% of the enrollment set forth in the table above for any academic semester in the relevant Fiscal Year shall be an Event of Default hereunder.

Section 8.16. Limitations on Additional Facilities. The City agrees that it will not operate a charter school for elementary or middle school students within five miles of the Project without the written consent of the Holders or Beneficial Owners of not less than 90% in principal amount of the Bonds Outstanding, unless either:

(a) there shall be delivered to the Trustee (i) an independent market analysis issued by a professional consultant of national repute for having skill and experience necessary to
render the opinions addressed in this Section 8.16, which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of the Company, the Manager, the Project Manager, or the sole member of the Company, and which consultant is reasonably acceptable to the City, to the Manager and to the Holders or Beneficial Owners of not less than 90% in principal amount of the Bonds Outstanding, which market analysis shall include the opinions of the consultant to the effect, and conclude (A) that a reasonable need exists for the proposed new charter school, and (B) that at the time of such market analysis enrollment at the Facilities is not less than 90% of the budgeted enrollment for the relevant Fiscal Year, as indicated in the Limited Offering Memorandum delivered in connection with the issuance of the Bonds ("Budgeted Enrollment"), and that following the opening of the proposed new charter school enrollment at the Facilities is reasonably anticipated to be not less than 90% of the Budgeted Enrollment for the relevant Fiscal Year, and (C) that the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year prior to the date of such market analysis was not less than 1.20 to 1.00, and that the Long-Term Debt Service Coverage Ratio for the Fiscal Year following the opening of the proposed new charter school is reasonably anticipated to be not less than 1.20 to 1.00, and (ii) evidence that the enrollment at the Facilities has been not less than 90% of Budgeted Enrollment for at least three (3) consecutive Fiscal Years; or

(b) the City has delivered to the Trustee a certificate executed by the City Representative to the effect that the Facilities have operated with enrollment not less than 1,440 students for at least three (3) consecutive school years.

In addition, the Manager agrees that neither the Manager nor any affiliate thereof will own or operate a charter school for elementary or middle school students within five miles of the Project unless the criteria specified above for the City are satisfied.

Section 8.17. Bondholder Access to Construction Requisitions and Construction Representative. The Company shall provide to each Notice Beneficial Owner copies of all requisitions submitted pursuant to Section 4.3 hereof, and shall authorize, and hereby authorizes, the Construction Representative to communicate directly with Beneficial Owners regarding all aspects of construction of the Facilities.

ARTICLE IX

ASSIGNMENT AND PLEDGING OF LOAN AGREEMENT; REDEMPTION OF BONDS

Section 9.1 Assignment by Company. This Loan Agreement may be assigned by the Company with the prior written consent of 100% of the Bondholders subject to each of the following conditions:

(a) no assignment shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment, the Company shall continue to remain primarily liable for payment of the Loan Payments, payments on Parity Indebtedness and other payments required to be made under Section 5.1 hereof and for performance and observance of the other covenants and agreements on its part herein provided;
(b) no assignment shall impair the exclusion of interest on the Series 2006A Bonds from gross income for federal income tax purposes;

(c) the assignee shall assume in writing the obligations of the Company hereunder to the extent of the interest assigned, and

(d) the Company shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the City and the Trustee a true and complete copy of each such assumption of obligations and assignment.

Section 9.2 Assignment and Pledge by City. The City shall assign substantially all of its interests in and pledge of the moneys receivable under this Loan Agreement to the Trustee pursuant to the Indenture and the Assignment as security for payment of the principal of, premium, if any, and interest on the Bonds and all other amounts due or to become due under the Indenture. The Company hereby consents to such assignment and pledge.

Section 9.3 Redemption of Bonds. Upon the agreement of the Company to deposit moneys in the Bond Principal Fund and the Bond Interest Fund in an amount sufficient to redeem Bonds subject to redemption, the City, at the request of the Company Representative, shall forthwith take all reasonable steps consistent with the Indenture and this Loan Agreement necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds on the redemption date.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 Events of Default Defined. The following shall be "events of default" under this Loan Agreement and the term "event of default" shall mean any one or more of the following:

(a) failure by the Company to pay any amount payable under Sections 5.1(a), 5.1(b), 5.1(c), 5.1(e), 5.1(f), 5.1(g), 5.1(h) or 5.1(i) when due and payable;

(b) failure by the Company to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Company by the City or the Trustee, provided, with respect to any such failure covered by this subsection (b) no event of default shall be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby; provided, however, that failure to correct such default within 90 days after receipt of such notice shall constitute an Event of Default;

(c) any representation or warranty made by the Company hereunder or otherwise in connection with the sale and delivery of the Bonds shall prove to have been incorrect in any material respect on or as of the date of issuance of the Bonds or the date of making such representation or warranty;
(d) an Event of Default shall have occurred under the Indenture or the Tax Certificates;

(e) if the Company shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any present or future federal bankruptcy act or under any similar federal or state law, or shall be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of the Company as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or dismissed within 90 days after the filing thereof, or if a receiver, trustee or liquidator of the Company or of all or substantially all of the assets of the Company, or the Property, Plant and Equipment shall be appointed in any proceeding brought against the Company and shall not be discharged within 90 day's after such appointment or if the Company shall consent to or acquiesce in such appointment, if the estate or interest of the Company in the Property, Plant and Equipment or any part thereof shall be levied upon or attached in any proceeding and such process shall not be vacated, discharged or released within 60 days after such levy or attachment, or if the Property, Plant and Equipment shall have been abandoned by the Company for a period of 30 consecutive days, or if the Company shall be dissolved or liquidated (other than as a result of a merger or consolidation of the Company into or with another entity under the conditions permitting such actions contained in this Loan Agreement); or

(f) a final judgment is entered against the Company which, together with all unsatisfied final judgments against the Company, exceeds the sum of $200,000 and which is not covered by insurance and such judgment shall remain unsatisfied or unstayed for a period of 90 days after the entry thereof.

The foregoing provisions of subsection (b) of this Section are subject to the following limitations: If by reason of force majeure the Company is unable in whole or in part to carry out its agreements herein contained, other than the obligations on the part of the Company contained in Article V and in Sections 4.7, 4.8, and 8.5 hereof, the Company shall not be deemed in default during the continuance of such inability so long as (a) the Company provides the Bondholders written notice that an Event of Default has occurred by reason of force majeure within 10 Business Days of the events giving rise to such Event of Default and (b) the owners or Beneficial Owners of at least two-thirds of the Bonds Outstanding consent in writing to implementation of Company's plan to cure such Event of Default. The Company agrees to promptly submit its plans for curing the Event of Default to the Bondholders. The term "force majeure" as used herein shall mean the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies, insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; war, explosions; or partial or entire failure of utilities.
Section 10.2 Remedies on Default. Whenever any event of default referred to in Section 10.1 hereof shall have occurred and is continuing, the City or the Trustee, may take any one or more of the following remedial steps:

(a) the Trustee (acting as assignee of the City), as and to the extent provided in the Indenture, or the City (in the event of a failure of the Trustee to act under this subsection), may, and, at the direction of holders or Beneficial Owners of 25% of the aggregate amount of the Bonds Outstanding, the Trustee shall, declare the Loan Payments payable hereunder for the remainder of the term of this Loan Agreement to be immediately due and payable, whereupon the same shall become due and payable;

(b) the Trustee may, subject to indemnification as provided in the Indenture, and, at the direction of holders or Beneficial Owners of 25% of the aggregate amount of the Bonds Outstanding, shall, take any action permitted under the Indenture with respect to an Event of Default thereunder;

(c) the Trustee (acting as assignee of the City) may foreclose on all or any portion of the Property and other collateral granted herein or any interest of the Company therein as and to the extent permitted of a mortgagee by the laws of the State of Florida and exercise all of the rights and remedies of a secured party under the Uniform Commercial Code of the State of Florida with respect thereto and to the tangible personal property, furniture, machinery, equipment and other personal property and assets of the Company described in Section 3.1;

(d) the Trustee (acting as assignee of the City) may realize upon the security interest in the Pledged Revenues and exercise all of the rights and remedies of a secured party under the Uniform Commercial Code of the State of Florida with respect thereto; and

(e) the Trustee (acting as assignee of the City), as and to the extent provided in the Indenture, or the City (in the event of a failure of the Trustee to act under this subsection) may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Company under this Loan Agreement.

At any time after such a declaration of acceleration has been made, but before the entry of a judgment or decree to enforce remedies under the Indenture or this Loan Agreement, such declaration and its consequences shall be rescinded and annulled (unless the Trustee is otherwise directed by the owners and Beneficial Owners of a majority of the principal amount of the Bonds Outstanding (excluding Bonds of any series which are subordinate to any other Series of Bonds)) if:

(i) There has been paid to or deposited with the Trustee, or provision satisfactory to the Trustee has been made for the payment of a sum sufficient to pay:

(A) all sums reasonably paid or advanced by the Trustee (including reasonable counsel fees and disbursements) under the Indenture or this Loan Agreement and the reasonable compensation, expenses, disbursements and advances of the Trustee (including reasonable counsel fees and disbursements);
(B) all overdue installments of interest on the Bonds payable by the
Company with interest on such overdue interest at the Default Rate;

(C) the principal of any Bonds which have become due otherwise than
by such declaration of acceleration and accrued interest thereon to the date of
payment of such Bonds payable by the Company at the Default Rate;

(D) the amounts required to be on deposit in the Debt Service Reserve
Fund in accordance with the Indenture; and

(E) all sums, including the reasonable fees and expenses of counsel,
reasonably paid or advanced by any Bondholder or Notice Beneficial Owner
because of the Company's default.

(ii) All events of default of the Company, other than the nonpayment of the
principal of the Bonds which have become due solely by such declaration of acceleration,
have been cured or waived as provided in the Indenture and this Loan Agreement.

In the event that the Company fails to make any payment required hereby, the payment so in
default shall continue as an obligation of the Company until the amount in default shall have
been fully paid. Any proceeds received by the City or the Trustee from the exercise of any of the
above remedies, after reimbursement of any costs incurred by the City or the Trustee in
connection therewith, shall be applied by the Trustee in accordance with the provisions of the
Indenture.

In the event of foreclosure of the lien of the Trustee (acting as assignee of the City) on the
Property, the Equipment and the other personal property granted hereunder, the Trustee shall
first apply the proceeds of Equipment and other personal property granted hereunder prior to
proceeds of the Property in payment of the obligations secured hereby.

Section 10.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to
the City or the Trustee is intended to be exclusive of any other available remedy or remedies, but
each and every such remedy shall be cumulative and shall be in addition to every other remedy
given under this Loan Agreement or now or hereafter existing at law or in equity or by statute.
No delay or omission to exercise any right or power accruing upon any default shall impair any
such right or power or shall be construed to be a waiver thereof, but any such right or power may
be exercised from time to time and as often as may be deemed expedient. In order to entitle the
City or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary
to give any notice, other than notice required herein or by applicable law. Such rights and
remedies given the City hereunder shall also extend to the Trustee and the owners and Beneficial
Owners of the Bonds, subject to the Indenture.

Section 10.4 Agreement to Pay Attorneys' Fees and Expenses. In the event the
Company should default under any of the provisions of this Loan Agreement, the Indenture or
the Tax Certificates, and the City, any Significant Bondholder or the Trustee should employ
attorneys or incur other expenses for the collection of Loan Payments or the enforcement of
performance or observance of any obligation or agreement on the part of the Company herein or
in the Tax Certificates or the Indenture, the Company agrees that it will within 30 days of a
request therefor pay to the City, any Significant Bondholder or the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses incurred by the City, any Significant Bondholder or the Trustee. This Section shall continue in full force and effect, notwithstanding the full payment of all obligations under this Loan Agreement or the termination of this Loan Agreement for any reason.

Section 10.5 Waiver. In the event any agreement contained in this Loan Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the City's rights in and under this Loan Agreement to the Trustee under the Indenture and the Assignment, the City shall have no power to waive any Event of Default hereunder without the written consent of the Trustee.

Section 10.6 Appointment of Receiver. Upon the occurrence of any event of default, unless the same shall have been waived as herein provided, the Trustee, acting as assignee of the City, shall be entitled as a matter of right if it shall so elect, without notice or demand (such notice being expressly waived hereby), ex parte, (i) forthwith and without declaring the Bonds, Parity Indebtedness or Loan Payments to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Trustee, the Bondholders or the holders of Parity Indebtedness, to the appointment of a receiver or receivers of any or all of the Property and Facilities with such powers as the court making such appointment shall confer. The Company hereby consents and agrees, and will if requested by the Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of the Property and Facilities, to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with the Property and Facilities and the revenues, profits and proceeds therefrom, with like effect as the Company could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 10.7 Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 10.8 Waiver of Appraisement, Valuation, Stay, and Execution Laws. The Company agrees, to the extent permitted by law, that in the case of the occurrence of an Event of Default, neither the Company nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay or extension laws now or hereafter in force in order to prevent or hinder the enforcement or foreclosure of the lien of this Loan Agreement, or the absolute sale of the Property, or any interest of the Company therein, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof, and the Company for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully do so, the benefit of all such laws, and any and all right to have the estates comprising the security intended to be hereby created marshaled...
upon any foreclosure of the lien hereof and agrees that the Trustee or any court having jurisdiction to foreclose such lien may sell the Property, or any interest of the Company therein as an entirety or in such parcels or parts as the Trustee may deem appropriate.

Section 10.9 Purchase of Property by Bondholder or Holder of Parity Indebtedness. Upon the occurrence of an Event of Default, the lien and/or security interest on the Property and other collateral created and vested by this Loan Agreement may be foreclosed. If sold at public sale or in any bankruptcy, receivership or similar sale, any Bondholder, Beneficial Owner, holder of Parity Indebtedness, or the Trustee may bid for and purchase the Property or any interest of the Company therein and upon compliance with the terms of sale, may hold, retain and possess and dispose of such Property or interest therein in his own absolute right without further accountability; and any purchaser at any such sale may, if permitted by law, in paying purchase money, surrender Bonds or Parity Indebtedness then Outstanding, or credit bid Bonds held or beneficially owned by such party, as the case may be, in lieu of cash. Said Bonds or Parity Indebtedness, in case the amount so payable as a result of such sale shall be less than the amount due thereon, shall be returned to the holders thereof after being properly stamped to show partial payment. If the Trustee shall acquire title to the Property or any other collateral hereunder or any interest of the Company therein as a result of any such sale or any proceedings or transaction in lieu of foreclosure, the Trustee may thereafter take any lawful action with respect to the Property or interest therein which it shall deem to be in the best interest of the holders of the Bonds or Parity Indebtedness, including but not limited to: (a) the enforcement of all rights and remedies set forth in the Indenture and the taking of all other courses of action permitted herein, and (b) the sale of the Property or any interest therein, or any portion thereof.

ARTICLE XI
PREPAYMENT OF THE LOAN

Section 11.1 General Option to Prepay the Loan. Subject to Section 11.3 hereof, the Company shall have and is hereby granted the option exercisable at any time to prepay all or any portion of the Loan by depositing with the Trustee an amount of money or Government Obligations described in Section (a)(i) of the definition of such term as set forth in Article I of the Indenture to the extent permitted by Section 7.1 of the Indenture, the principal and interest on which, when due, will be equal (giving effect to the credit, if any, provided by Section 11.2 hereof) to an amount sufficient to pay the principal of (in integral multiples of $50,000 and in multiples of $5,000 in excess thereof), premium, if any, and interest on any portion of the Bonds then Outstanding under the Indenture. The exercise of the option granted by this Section shall not be cause for redemption of Bonds unless such redemption is permitted or required at that time under the provisions of Article V of the Indenture, and the Company Representative specifies the date for such redemption. In the event the Company prepays all of the Loan pursuant to this Section (and the Bonds are defeased in accordance with the Indenture) and pays all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment or redemption of the Bonds as a result of such prepayment and all of its liabilities accrued and to accrue hereunder to the City through final payment or redemption of the Bonds as a result of such prepayment, this Loan Agreement shall terminate except for Sections 5.1, 4.6 and 8.5 hereof. The City and the Trustee may certify to the Company prior to payment all expenses, fees and liabilities due for payment hereunder. Payment of moneys or
Section 11.1 Prepayment Credits. In the event of prepayment by the Company of the Loan in whole the amounts then contained in the Funds related to the Bonds shall be credited first to the Rebate Fund so that it shall be fully funded for any required payment to the federal government therefrom, and then against the Company's prepayment obligation.

Section 11.3 Notice of Prepayment. In order to exercise the option granted by this Article, the Company shall give written notice to the City and the Trustee which shall specify therein the date of making the prepayment, which date shall be not less than 60 days nor more than 90 days from the date the notice is mailed. In the case of any prepayment pursuant to this Article, the Company Representative shall make arrangements with the Trustee for giving the required notice of redemption of any Bonds to be redeemed.

Section 11.4 Use of Prepayment Moneys. By virtue of the assignment of the rights of the City under this Loan Agreement to the Trustee, the Company agrees to and shall pay any amount required to be paid by it under this Article directly to the Trustee (other than amounts to be paid to the City for its own account or as otherwise provided in Section 5.3 hereof). The Trustee shall use the moneys so paid to it by the Company to pay the principal of and interest on the Bonds on regularly scheduled payment or redemption dates.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return-receipt requested, postage prepaid, or dispatched by telecopy (if confirmed promptly in writing by the sender of such telecopy and if receipt of such telecopy is confirmed electronically by the receiving telecopy machine), addressed as follows:

City: City of Palm Bay, Florida
120 Malabar Road
Palm Bay, Florida 32907
Attention: City Manager
Telephone: (321) 952-3413
Facsimile: (321) 952-3412

Trustee: Regions Bank
Corporate Trust, 7th Floor
400 W. Capitol
Little Rock, AR 72201
Attention: Corporate Trust
Telephone: (501) 371-6745
Facsimile: (501) 371-3262
The City, the Company, and the Trustee may, by notice hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.2 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the City and the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.13, 9.1, 9.2 and 12.10 hereof.

Section 12.3 Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.4 Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Funds upon expiration of the term of this Loan Agreement shall be paid by the Trustee as directed in writing by the Company Representative as provided in the Indenture.

Section 12.5 Amendments, Changes and Modifications. Except as otherwise provided in this Loan Agreement or in the Indenture, this Loan Agreement may not be amended, changed, modified, altered or terminated.

Section 12.6 Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.7 Governing Law. This Loan Agreement shall be governed and construed in accordance with the laws of the State of Florida.

Section 12.8 Cancellation at Expiration of Term of Agreement. Upon the expiration of the term of this Loan Agreement, the City shall deliver to the Company any documents and take or cause the Trustee to take such actions as may be necessary to evidence the termination of this Loan Agreement and the discharge of the lien hereof.
Section 12.9 Recording. The Company shall cause this Loan Agreement, the Assignment and every assignment and modification hereof to be recorded in the real estate records of the County in which the Site is located (the "County"). In accordance with the Indenture, the Company shall cause the security interest in the Pledged Revenues, Funds, the Equipment, trust accounts and other personal property referred to in Section 3.1 hereof granted to the City, the assignment of such security interest to the Trustee and the security interest in this Loan Agreement granted to the Trustee to be perfected to the extent permitted by law by the filing of financing statements which fully comply with the Florida Uniform Commercial Code in the office of the Secretary of State of Florida, the office of the County and in such other office as is at the time provided by law as the proper place for the filing thereof. The parties further agree that all necessary continuation statements shall be filed by the Company within the time prescribed by the Florida Uniform Commercial Code in order to continue such security interests, and that any other financing statements or amendments to financing statements which may be required or appropriate shall be timely filed in the proper office by the Company. The Trustee shall be entitled to retain counsel in order to review and/or make such filings and the Borrower hereby agrees to pay the reasonable fees and expenses of such counsel.

Section 12.10 No Pecuniary Liability of City. No provision, covenant or agreement contained in this Loan Agreement, or any obligations herein imposed upon the City, or the breach thereof, shall constitute an indebtedness or liability of the City within the meaning of any Florida constitutional provision or statutory limitation or shall constitute or give rise to a pecuniary liability of the City or any member, officer or agent of the City or a charge against the City's general credit. In making the Loan, the City has not obligated itself except and to the extent provided in the Indenture.

Section 12.11 Partial Release. So long as no Event of Default shall have occurred and be continuing under this Loan Agreement, whenever under the terms of this Loan Agreement any portion of the Property or Equipment is permitted to be sold, transferred, disposed of or released from the provisions of this Loan Agreement, including releases in the event of condemnation of the Property or Equipment in accordance with Article VII hereof, or Transfers permitted under Section 8.13 hereof, the Trustee shall take all actions reasonably necessary to release that portion of the Property or Equipment so sold, leased or disposed of from the lien of this Loan Agreement. Any such release shall be requested of the City in writing by the Company Representative and shall be accompanied by a description of the Property or Equipment to be released, an amendment or supplement to the exhibits of this Loan Agreement to the extent necessary to provide for such release, a plat or improvement location survey of the Property after the release by a registered civil engineer or surveyor licensed in the state of Florida in accordance with the standard detail requirements for land title surveys adopted by ALTA, and an Opinion of Counsel to the effect that such release is permitted by the provisions of this Loan Agreement.

Section 12.12 General Release. Upon payment of all sums secured by this Loan Agreement and upon full performance hereof by the Company, the Trustee, as assignee of the City, shall promptly, after written notice from the Company Representative, execute and deliver to the Company a release of the Lien of this Loan Agreement in form reasonably acceptable to the Trustee. The Company shall, however, pay all costs and expenses in connection with the preparation, review, recordation and execution of said release.
Section 12.13 Captions. The captions and headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 12.14 Payments Due on Non-Business Day. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding business day with the same force and effect as if done on the nominal date provided in this Loan Agreement, except as otherwise expressly provided herein.

Section 12.15 Provision of General Application. Any consent or approval of the City required pursuant to this Loan Agreement shall be in writing and shall not be unreasonably withheld.

[SIGNATURE PAGE TO FOLLOW]
IN WITNESS WHEREOF, the City and the Company have caused this Loan Agreement to be executed in their respective corporate names and attested by their duly authorized officers and the Company has caused its corporate seal to be affixed hereto, all as of the date first above written.

CITY OF PALM BAY, FLORIDA

[SEAL]

By: ________________________________
    Mayor

Attest:

By: ________________________________
    City Clerk
IN WITNESS WHEREOF, the City and the Company have caused this Loan Agreement to be executed in their respective corporate names and attested by their duly authorized officers and the Company has caused its corporate seal to be affixed hereto, all as of the date first above written.

PATRIOT CHARTER SCHOOL, LLC

By: The Lee Charter Foundation, Inc.
Manager

By: ____________________________
Kenneth Haiko, Chairman

Acknowledged and agreed to by:

THE LEE CHARTER FOUNDATION, INC.,
a Florida not-for-profit corporation

By: ____________________________
Kenneth Haiko, Chairman
Acknowledged and agreed to by:

CHARTER SCHOOLS USA AT PALM BAY, LLC,
a Florida limited liability company

By: ________________________________
Name: ______________________________
Title: ______________________________
STATE OF FLORIDA

COUNTY OF ____________________

The foregoing instrument was acknowledged before me this _____ day of ______________, 2006, by _____________________, Mayor, and _____________________, City Clerk, respectively of the City of Palm Bay, Florida. □ He/□ She is personally known to me or □ has produced _________________________________ as identification.

(SEAL)

Printed/Typed Name: _____________________
Notary Public-State of _____________________
Commission Number: _____________________
STATE OF FLORIDA
COUNTY OF ________________

The foregoing instrument was acknowledged before me this ____ day of _______________, 2006, by _____________________, President of The Lee Charter Foundation, Inc., a Florida nonprofit corporation, as manager and sole member of Patriot Charter School, LLC. ☐ He/☐ She is personally known to me or ☐ has produced __________________________ as identification.

(SEAL)

Printed/Typed Name: __________________________
Notary Public-State of __________________________
Commission Number: __________________________
EXHIBIT A

LEGAL DESCRIPTION OF SITE
EXHIBIT B

DESCRIPTION OF THE FACILITIES

The Patriot Charter School is planned as a 96,590 square foot, two story public education facility, built on approximately twelve landscaped acres located in the City.

The facility will have over 60 classrooms, plus computer rooms, media centers, science labs and music rooms. All classrooms will have impact glass windows at each exterior wall. The facility will include a 6,500 square foot cafeteria, which will serve both the dining needs of the students as well as auditorium events for presentations.

The Site will have soccer fields and basketball courts as well separate playgrounds for the elementary and kindergarten grades. The Site has over four acres of retention ponds at the front and rear property lines for storm water runoff, which will provide water for the irrigation of the campus. The Project Site will also have 170 parking spaces and separate access drives for bus and vehicular drop off and pick up. All drop off areas will include aluminum canopies at entrance and exit points.

All perimeter walls are comprised of 28 foot high, 9.25 inch thick concrete tilt wall panels with steel columns and beams supporting a second floor and the built up roof system. The roof consists of light weight concrete poured over a metal deck, supported by metal bar joists. The second floor of the facility consists of five-inch thick concrete poured over a metal deck.

The mechanical system consists of a 197-ton chilled water cooling system with accompanying energy management controls. The building features an automatic fire suppression system consisting of Class II sprinklers, as well as smoke and heat detection devices.
EXHIBIT D
FORM OF REQUISITION FROM PROJECT FUND

Request No: __________
Date: __________

DISBURSEMENT REQUEST
(PROJECT FUND)

To: Regions Bank
Little Rock, Arkansas


You are hereby requested and directed as Trustee under the Indenture of Trust dated as of March 1, 2006 (the "Indenture"), between the City of Palm Bay, Florida (the "City") and you, as Trustee, to pay from moneys in the Project Fund, pursuant to Section 3.10 of the Indenture, to the following payees the following amounts in payment or reimbursement for the following Costs of the Project:

<table>
<thead>
<tr>
<th>Payee</th>
<th>Amount</th>
<th>Description of Costs of the Project</th>
</tr>
</thead>
</table>

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture. All representations and statements made herein are for the benefit of the Trustee and the other parties related to the issuance of the Bonds and may not be relied upon by third parties.

The undersigned Company Representative hereby states and certifies that:

1. Each item listed above is a valid cost authorized under the Indenture and is a proper Cost of the Project that was incurred in the acquisition, construction, renovation, remodeling, expansion, completion or equipping of portions of the Project (as defined in the Indenture) in accordance with the construction contracts and plans and specifications therefor.
2. These Costs of the Project have been incurred by the Company and are presently due and payable or have been paid by the Company and are reasonable costs that are payable or reimbursable under the Indenture and each item thereof is a proper charge against the Project Fund.

3. Each item listed above has not previously been paid or reimbursed from moneys in the Project Fund and no part thereof has been included in any other Disbursement Request previously filed with the Trustee under the provisions of the Indenture or reimbursed to the Company from Bond proceeds.

4. All necessary permits and approvals required for the portion of the work on the Project for which this withdrawal is to be made have been issued and are in full force and effect.

5. There has not been filed with or served upon the Company any notice of any lien, right to a lien or attachment upon or claim affecting the right of any person, firm or corporation to receive payment of the amounts stated in this request, except to the extent any such lien is being contested in accordance with the provisions of the Mortgage and Loan Agreement dated March 1, 2006 between the City and the Company (the "Loan Agreement").

6. Lien waivers for Costs of the Project for which payment is hereby requested have been received and copies are attached to this Disbursement Request.

7. The above requisition contains no items representing payment on account of any percentage entitled to be retained at the date of this certificate.

8. No Event of Default under the Indenture or the Loan Agreement or event which after notice or lapse of time or both would constitute an Event of Default under the Indenture or the Loan Agreement has occurred and not been waived or cured.

9. An invoice or other appropriate evidence of the obligation described in the requisition above is attached.

10. AIA Certification [and invoices] are attached. □ Yes □ No

11. AIA Certification and/or invoices on file with the Company are available for inspection upon request.

12. This Disbursement Request is accompanied (if appropriate) by a completed AIA Document G702 or the substantial equivalent, signed by the general contractor or the architect for the Project and/or invoices describing personal property (including serial numbers, if any) for which payment is being requested.

[SIGNATURE PAGE TO FOLLOW]
SIGNATURE PAGE TO
PROJECT FUND REQUISITION
(PATRIOT CHARTER SCHOOL PROJECT)

PATRIOT CHARTER SCHOOL, LLC
By: The Lee Charter Foundation, Inc.
Manager

By: __________________________
Kenneth Haiko, Chairman

REVIEWED AND APPROVED BY:
CAPRI ENGINEERING SERVICES,
as Construction Representative

By: __________________________
Name: _______________________
Title: _______________________
LEASE AGREEMENT

by and between

PATRIOT CHARTER SCHOOL, LLC,
as Lessor

and

THE CITY OF PALM BAY, FLORIDA,
as Lessee

Dated as of March 1, 2006
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(This Table of Contents is not a part of this Lease Agreement and is only for convenience of reference)

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LEASE AGREEMENT

This LEASE AGREEMENT, dated as of March 1, 2006 (together with any amendments hereto made in accordance herewith, this "Lease"), entered into by and between PATRIOT CHARTER SCHOOL, LLC, a Florida limited liability company (hereinafter referred to as "Lessor") and THE CITY OF PALM BAY, FLORIDA, a municipal corporation organized and existing under the laws of the State of Florida (hereinafter referred to as the "Lessee").

WITNESSETH;

WHEREAS, Lessor is lessee under that certain Ground Lease Agreement (the "Ground Lease"), by and between Lessor, as lessee, and the Lessee, as lessor, with respect to the real property more specifically described in EXHIBIT E attached hereto and by this reference made a part hereof (the "Project Site"), including without limitation, all rights, powers, licenses, easements, rights-of-way, privileges, hereditaments and franchises now or hereafter pertaining thereto; and

WHEREAS, the Lessee has determined and hereby determines that it is in the best interests of the Lessee to lease from the Lessor the building to be constructed on the Project Site as herein provided (the "Building"), consisting of 96,500 square feet (more or less) of rentable area, as outlined on the diagram attached hereto and marked as EXHIBIT A, and including all furniture, fixtures, machinery and equipment relating thereto, known as The Patriot Charter School, and to sublease from the Lessor the Project Site; and

WHEREAS, the Lessee is retaining Charter Schools USA at Palm Bay, LLC, a Florida limited liability company (the "Manager"), to operate the Patriot Charter School pursuant to a Management Agreement between the Lessee and the Manager (the "Management Agreement"); and

WHEREAS, the Lessee has issued its $20,175,000 Tax-Exempt Educational Facilities Revenue Bonds (Patriot Charter School Project), Series 2006A and its $925,000 Taxable Educational Facilities Revenue Bonds (Patriot Charter School Project), Series 2006B (collectively, the "Bonds") and loaned the proceeds thereof to the Lessor pursuant to that certain Mortgage and Loan Agreement dated as of March 1, 2006 by and between the Lessee and the Lessor (the "Loan Agreement") to finance the acquisition, construction and equipping of the Project Site and the Building; and

WHEREAS, Base Rentals, Additional Rent and Capital Contributions (each as defined herein) shall be pledged by Lessor to the repayment of amounts due by Lessor under the Loan Agreement; and

WHEREAS, the execution, performance and delivery of this Lease, have been authorized and approved by the City Council of the Lessee (the "City Council") by a resolution finally passed and adopted by the City Council, as such resolution has been amended and supplemented (the "Resolution"); and
WHEREAS, the execution, performance and delivery of this Lease, have been authorized, approved and directed by the governing body of the Lessor (the "Lessor Board") by a resolution finally passed and adopted by the Lessor Board.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS; CONSTRUCTION

Section 1.1 Definitions. Except as otherwise defined herein, capitalized terms shall have the meanings specified below or in the Indenture unless the context clearly requires otherwise:

"Additional Rents" means the all Charter Revenues and Additional Revenue in excess of Base Rentals.

"Additional Revenue" means revenues derived from the operation of the Leased Property, other than Charter Revenues.

"Base Rentals" means the payments payable by the Lessee pursuant to Section 6.2 of this Lease during the Original Term and any Renewal Term, which constitute the payments payable by the Lessee for and in consideration of the right to use the Leased Property during such Original Term or any Renewal Term.

"Capital Contributions" means the Capital Contributions specified in Section 6.4 hereof.

"Charter" means the Charter School Agreement for the operation of a charter school at the Leased Property, between the Lessee and the School Board.

"Charter Revenues" means the amounts payable to the Lessee by the School Board under the Charter.

"Base Rental Payment Dates" means the first day of each calendar month.

"Equipment" means all furniture, machinery, fixtures and equipment now owned or hereafter acquired by the Lessor, and the products and proceeds of the same, including without limitation all items of personal property and fixtures used or usable in connection with the Facilities, and any item of furniture, machinery, fixtures, equipment or other personal property or fixtures acquired in substitution or replacement thereof, less such machinery, equipment or other personal property or fixtures as may be released from the pledge of the Loan Agreement as provided in the Loan Agreement.

"Event of Default" means one or more events of default as defined in Section 14.1 of this Lease.
"Force Majeure" means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of restraint of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of the Lessor or the Lessee.

"Indenture" means that certain Indenture of Trust, dated as of March 1, 2006, by and between the Lessee and the Trustee.

"Lease" means this Lease Agreement and any amendments or supplements hereto, including the Exhibits attached hereto.

"Lease Term" means the Original Term and any Renewal Terms.

"Leased Property" means (a) the Project Site, (b) the Equipment, (c) the Building and any other buildings, fixtures and other improvements located on the Project Site, and (d) any additions or alterations thereto which are permitted herein.

"Lessee Representative" means any person or persons at the time designated to act on behalf of the Lessee for purposes of performing any act on behalf of the Lessee under this Lease by a written certificate furnished to the Lessor and Trustee containing the specimen signature of such person or persons and signed on behalf of the Lessee by the presiding officer of the City Council.

"Lessor Representative" means any person or persons at the time designated to act on behalf of the Lessor for purposes of performing any act on behalf of the Lessor under this Lease by a written certificate furnished to the Lessee and Trustee containing the specimen signature of such person or persons and signed on behalf of the Lessor by the President of the sole member of the Lessor.

"Loan Documents" means the Loan Agreement, the Indenture and any other agreements executed by the Lessee or the Lessor with respect to providing funds for the acquisition, construction and completion of the Leased Property.

"Net Proceeds," when used with respect to any performance or payment bond proceeds, or proceeds from policies of insurance required hereby, or proceeds from any condemnation award, or proceeds resulting from any default under any construction contract or equipment purchase contract for the Leased Property, or proceeds from any foreclosure and sale, means the amount remaining after deducting from the gross proceeds thereof all expenses (including, without limitation, reasonable attorneys' fees and costs) incurred in the collection of such proceeds or award.

"Original Term" means the portion of the Lease Term which terminates on June 30, 2036 as provided in Article IV of this Lease.
"Permitted Encumbrances" means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to the provisions of Article VIII and Article IX of this Lease; (b) this Lease, the Charter and any encumbrances permitted or required thereunder, the Ground Lease and the Loan Agreement (c) utility, access and other easements and rights of way, restrictions and exceptions which do not, in the opinion of the Lessee Representative, interfere with or impair the Leased Property; (d) any financing statements filed to perfect security interests in the Equipment and other liens or security interests pursuant to this Lease or the Loan Documents; and (e) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, in the opinion of the Lessor Representative, materially impair title to the Leased Property.

"Person" means an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Renewal Term" means any optional Renewal Term as provided in Article IV of this Lease.

"Revenues" means (a) Net Proceeds, if any; (b) the Base Rentals, Additional Rents and Capital Contributions; (c) all other revenues derived from this Lease, and (d) any other moneys to which Trustee may be entitled pursuant to the Loan Documents.

"School Board" means the Board of Education of Brevard County, Florida.

"School Fiscal Year" means the annual period beginning each July 1 during the Lease Term and ending the succeeding June 30.

"State" means the State of Florida.

"Trustee" means Regions Bank, as trustee under the Indenture, and its successors and assigns.

Section 1.2 Construction. This Lease, except where the context by clear implication otherwise requires, shall be construed as follows:

(a) Words and defined terms in the singular number include the plural, and words in the plural include the singular.

(b) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender refer to any gender.

(c) Articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs of this Lease so numbered unless otherwise so designated.
(d) The titles applied to articles, sections and subsections in this Lease are inserted only as a matter of convenience and ease in reference and in no way define, limit or describe the scope or intent of any provisions of this Lease.

(e) The words "herein," "hereof" and "hereunder" and words of similar import, without reference to any particular article, section, subdivision, paragraph or subparagraph, refer to this Lease as a whole rather than to any particular article, section, subdivision, paragraph or subparagraph hereof; where such words are used with reference to a particular article, section, subdivision, paragraph or subparagraph of this Lease, such reference, by definition, shall be construed to refer to the identical article, section, subdivision, paragraph or subparagraph contained in this Lease and in any agreement supplemental thereto or amendatory thereof, unless the context clearly requires otherwise.

(f) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

Section 1.3 Computations. Unless the facts shall then be otherwise, all computations required for the purposes of this Lease shall be made on the assumption that: (a) the Base Rentals and Additional Rent shall be paid as and when the same become due; and (b) all credits required by this Lease to be made to any fund or account shall be made in the amounts and at the times required.

Section 1.4 Compliance Certificates and Opinions. Upon any application or request by the Lessor to the Lessee to take any action under any provision of this Lease, the Lessee shall furnish the Lessor and the Trustee, with a certificate of a Lessee Representative stating that all conditions precedent, if any, provided for in this Lease relating to the proposed action have been complied with and, upon the reasonable request of the Lessor or the Trustee, an Opinion of Counsel stating that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request under any provision of this Lease pursuant to which the furnishing of such documents is specifically required by such provision, no additional certificate or opinion need be furnished.

Except as provided in Section 1.5 hereof, every certificate or opinion with respect to compliance with a condition or covenant provided for in this Lease or any of the Loan Documents shall include:

(a) a statement specifically identifying the provisions or sections of this Lease or the Loan Documents requiring such certificate;

(b) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(c) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
(d) a statement that in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(e) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Any Opinion of Counsel may be qualified by reference to the constitutional powers of the United States of America, the police and sovereign powers of the State, judicial discretion and bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors rights or corporations or partnerships generally and to similar matters.

Section 1.5 Form of Documents. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of a Lessor Representative or a Lessee Representative may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such representative, in the exercise of reasonable care, should know that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, a Lessor Representative or a Lessee Representative attesting to such factual matters unless such counsel, in the exercise of reasonable care, should know that the certificate or opinion or representation with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more requests, consents, certificates, statements, opinions or other instruments under this Lease, they may, but need not, be consolidated and form one instrument.

Wherever in this Lease, in connection with any certificate or report to Trustee, it is provided that the Lessor or the Lessee shall deliver any document as a condition or as evidence of either the Lessor's or the Lessee's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in each case be conditions precedent to the right of the Lessee or the Lessor to certify as to the sufficiency of such certificate or report as evidence of compliance.
ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1 Representations, Covenants and Warranties of the Lessee. The Lessee represents, covenants and warrants for the benefit of the Lessor and the Trustee as follows:

(a) The Lessee (i) is a municipal corporation duly organized and existing under the Constitution, statutes and laws of the State, (ii) is authorized by the Resolution to enter into the transactions contemplated by this Lease and to carry out its obligations hereunder; and (iii) has duly authorized and approved the execution and delivery of this Lease and other documents related to this transaction.

(b) The lease of the Leased Property under the terms and conditions provided for in this Lease, are necessary, convenient and in furtherance of the purposes of the Lessee and is in the best interests of the Lessee.

(c) During the Lease Term, the LeasedProperty will at all times be used by the Lessee for the purpose of performing its lawful functions (except to the extent that subleasing of the Leased Property by the Lessee is permitted by Section 13.2 of this Lease).

(d) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound, or constitutes a default under any of the foregoing or results in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Lessee.

(e) There is no litigation or proceeding pending or, to the knowledge of the Lessee, threatened against the Lessee or any other person affecting the right of the Lessee to execute this Lease or the ability of the Lessee to make the payments required hereunder or to otherwise comply with the obligations contained herein; and there is no material litigation or proceeding pending or, to the knowledge of the Lessee, threatened against the Lessee which involves liability of the Lessee in excess of insured limits.

(f) No event has occurred and no condition exists which would constitute an Event of Default on the part of the Lessee under this Lease.

(g) This Lease constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms.
(h) The Lessee will deliver or cause to be delivered to Trustee, if requested by Lessor or Trustee:

(i) as soon as practicable and in any event within 180 days after the end of each fiscal year of the Lessee, complete financial statements relating to the Charter Revenues, providing in reasonable detail and satisfactory in scope as to the contents thereof;

(ii) promptly upon receipt thereof, a copy of each other report submitted to the Lessee by its accountants in connection with any annual, interim or special audit or review by them of the books of the Lessee related to the Charter Revenues; and

(iii) with reasonable promptness, such other financial data as Trustee reasonably requests.

Together with each delivery of financial statements required by clause (i) above, the Lessee will deliver to Trustee a certificate of a Lessee Representative stating that there exists no Event of Default or Default hereunder or if any such Event of Default or Default exists, stating the nature thereof, the period of existence thereof and what action the Lessee proposes to take with respect thereto.

(i) The Lessee will, upon reasonable notice, and subject to applicable laws and regulations, permit any Person designated by the Lessor or Trustee in writing, and any Notice Beneficial Owner, at its own expense, to visit any of the properties of the Lessee during normal business hours to examine the books and financial records of the Lessee related to the Charter Revenues and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Lessee with the officials and employees of the Lessee, all at such reasonable times and as often as such parties may reasonably request. Each such party will keep confidential any information regarding the Lessee received pursuant to this subparagraph (i) unless obligated by law or contract to provide such information to a third party.

(j) The Lessee will comply with the requirements of the Constitution and all laws of the State and of any governmental authority having jurisdiction over the Lessee, non-compliance with which would materially adversely affect its ability to perform its obligations under this Lease, unless the same is being contested in good faith and by appropriate proceedings and such contest shall operate to stay the material adverse effect of any such noncompliance.

(k) The Lessee covenants to furnish to the Lessor and Trustee as soon as possible and in any event within two Business Days after the discovery by any employee of the Lessee of any Event of Default (as such term is defined herein) a certificate of a Lessee Representative, setting forth the details of such Event of Default (as such term is defined herein) and the action which the Lessee proposes to take with respect thereto; provided, however, that for purposes of this subparagraph (k), a default described in paragraph 14.1(e) hereof shall become an Event of Default only upon failure of the Lessee to cure such Default within the period of grace permitted therein.
(l) The Lessee will take all action and do all things that it is authorized by law to take and do in order to perform and observe all covenants and agreements on its part to be performed and observed hereunder.

(m) The Lessee will execute, acknowledge where appropriate, and deliver from time to time promptly at the request of the Lessor or Trustee all such instruments and documents as in the reasonable opinion of the Lessor or Trustee are reasonably required to carry out the intent and purposes of this Lease; provided, however, that the Lessee shall not be required to execute, acknowledge and deliver any such instruments and documents in the event that any such instruments or documents will have a material adverse impact on the rights of the Lessee under this Lease. The Lessee hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be reasonably required or, in the opinion of Trustee, beneficial to carry out the intent of this Lease or to perfect or give further assurances of any of the rights granted or provided for in this Lease or the Loan Documents; provided, however, that the Lessee shall not be required to execute and deliver any such instruments or to perform any such acts in the event that the execution and delivery of any such instruments or the performance of any such acts will have a material adverse impact on the rights of the Lessee under this Lease.

(n) During the Term of this Lease, the Lessee (i) will take no action which results in the imposition of any lien against the Leased Property other than Permitted Encumbrances, and (ii) it will not create or suffer to be created any pledge of or lien on the Revenues and lien of the Revenues under this Lease other than pursuant to the Loan Documents, and (iii) will operate the Leased Property or require any sublessee to operate the Leased Property in accordance with the rules and Regulations specified in EXHIBIT C attached hereto and incorporated herein by this reference.

(o) The Lessee, to the extent permitted by law, will defend against every action, suit or other proceedings at any time brought against the Lessor or Trustee upon any claim arising out of the receipt, deposit or disbursement of any of the Charter Revenues unless such suit or proceeding shall arise as a result of willful misconduct or negligence of the Lessor or the Trustee; provided, however, that the Lessor at its election may appear in and defend any such action, suit or other proceeding.

(p) Any certificate signed by a Lessee Representative and delivered pursuant to this Lease or the Loan Documents shall be deemed a representation and warranty by the Lessee as to the statements made therein.

(q) Lessee shall use and occupy the Leased Property (or shall cause the Leased Property to be used and occupied) for a charter school and all necessary, incidental or related purposes thereto or for other appropriate essential or proprietary governmental functions consistent with the requirements of the Loan Documents. Lessee shall not use or occupy the Leased Property for any other purpose or business without prior written consent of the Lessor and the Trustee.

Section 2.2 Representations, Covenants and Warranties of Lessor. The Lessor represents, covenants and warrants for the benefit of the Lessee and Trustee as follows:
(a) The Lessor is a limited liability company duly organized, existing and in good standing under the laws of the State, is duly qualified to do business in the State, has all necessary power and authority to enter into and perform and observe the covenants and agreements on its part contained in this Lease, is possessed of full power and authority to own and hold real and personal property and to lease the same as lessor, and by proper action has duly authorized the execution and delivery of this Lease.

(b) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Lessor is now a party or by which the Lessor is bound, or constitutes a default under any of the foregoing and will not conflict with or constitute a violation of any constitutional or statutory provision or order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Lessor or its property and which conflict or violation will have a material adverse effect on the Lessor, the Leased Property or its use and operation.

(c) The Leased Property will comply with all applicable building and zoning ordinances and regulations, if any, and any and all applicable state standards and requirements relating to the Leased Property.

(d) There is no litigation or proceeding pending or, to the knowledge of the Lessor, threatened against the Lessor or any other person affecting the right of the Lessor to execute and deliver this Lease or to comply with its obligations under this Lease. Neither the execution and delivery of this Lease by the Lessor nor compliance by the Lessor with its obligations under this Lease, require the approval of any regulatory body, any parent company, or any other entity, which approval has not been obtained, other than approvals in connection with the construction of the Building anticipated to be obtained in the ordinary course of completion.

(e) No event has occurred and no condition exists which would constitute an Event of Default on the part of the Lessor under this Lease.

(f) This Lease constitutes a legal, valid and binding obligation of the Lessor enforceable in accordance with its terms.

ARTICLE III

DEMISING CLAUSE

The Lessor demises and leases the Leased Property to the Lessee (including a sublease of the Project Site) and the Lessee leases the Leased Property from the Lessor, in accordance with the provisions of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Original Term and the Renewal Terms, if any.
ARTICLE IV

LEASE TERM

Section 4.1 Commencement of Lease Term; Renewals. The Lease Term shall commence on March 1, 2006 (the "Commencement Date"), and shall terminate on July 1, 2036, unless earlier terminated pursuant to Section 4.2 below or extended pursuant to Section 4.3 below. The Lease term may be extended for additional periods (each a "Renewal Term") upon the extension of the Charter as hereinafter provided.

The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term.

Section 4.2 Termination of Lease Term. The Lease Term shall terminate upon the earliest of any of the following events:

(a) An Event of Default and termination of the Lease Term by the Trustee under Article XIV of this Lease;

(b) The election of the Lessee to terminate the Lease Term pursuant to Section 10.3(b) of this Lease; or

(c) The end of the Lease Term, or such later date as all Base Rentals and Additional Rent required hereunder shall be paid.

Termination of the Lease Term shall terminate all obligations of the Lessee under this Lease, and shall terminate the rights of the Lessee to possession and use of the Leased Property under this Lease.

Section 4.3. Renewals and Extensions. Under the provisions of Florida Statutes §1002.33(7)(b), the Lessee has the right to apply to the School Board for an extension to the term of its Charter. Lessee hereby agrees to take all reasonable and necessary actions, in good faith, to obtain renewals of the Charter until such time as all amounts due under the Loan Documents are indefeasibly paid and satisfied in full. If the Lessee is granted an extension to the terms of its Charter, the Lease Term shall be automatically extended for a Renewal Term to match the extended term of the Lessee's Charter with no further action required by either the Lessor or the Lessee. The Base Rental for each year of any such Renewal Term shall be the Base Rent for the previous year plus three percent (3%).

Subject to the requirements of the Loan Documents, in the event that the Lessee shall determine not to renew this Lease, the Lessee shall give written notice to such effect to the Trustee and the Lessor not less than 30 days prior to the end of the then current Original Term or Renewal Term; provided, however, that a failure to give such notice shall not constitute an Event of Default, nor prevent the Lessee from declining to renew this Lease, nor result in any liability on the part of the Lessee, except as provided in the Loan Documents.
ARTICLE V

ENJOYMENT OF LEASED PROPERTY; MODIFICATIONS

Section 5.1 Quiet Enjoyment. The Lessor hereby covenants that the Lessee shall during the Lease Term peaceably and quietly have and hold and enjoy the Leased Property without suit, trouble or hindrance from the Lessor, except as expressly required or permitted by this Lease. The Lessor shall not interfere with the quiet use and enjoyment of the Leased Property by the Lessee during the Lease Term. The Lessor shall, at the request of the Lessee and at the cost of the Lessee, join and cooperate fully in any legal action in which the Lessee asserts its right to such possession and enjoyment, or which involves the imposition of any taxes or other governmental charges on or in connection with the Leased Property. In addition, the Lessee may at its own expense join in any legal action affecting its possession and enjoyment of the Leased Property, and shall be joined (to the extent legally possible and at the expense of the Lessee) by the Lessor in any action affecting its liabilities hereunder.

The provisions of this Article V shall be subject to the right of Trustee and the Lessor to visit the Leased Property, and shall be subject to any lien, security interest, encumbrance, mortgage or deed of trust interest granted to the Trustee. The Lessee also hereby consents to the provisions of the Loan Documents relating to inspection of records by the Trustee and the owners and Beneficial Owners of Bonds.

Section 5.2. Condition of Leased Property. Lessee acknowledges and agrees that, except as expressly set forth in this Lease, there have been no representations or warranties made by or on behalf of Lessor with respect to the Leased Property. The taking of possession of the Leased Property by Lessee shall conclusively establish that the Leased Property were at such time in satisfactory condition, order and repair.

ARTICLE VI

PAYMENTS BY THE LESSEE

Section 6.1 Special Limited Obligation of the Lessee. The obligation of the Lessee to make payments of Base Rentals, Additional Rent and Capital Contributions under this Lease is a special limited obligation of the Lessee payable from and solely to the extent of, Charter Revenues and Additional Revenue received by the Lessee.

Section 6.2 Payments.

(a) Subject to the provisions of Section 6.1 hereof, the Lessee hereby agrees to pay to the Trustee, as assignee of the Lessor, its successors and assigns, in consideration of the covenants of the Lessor hereunder, all Charter Revenues and all Additional Revenue received by the Lessee to be applied by the Trustee pursuant to the Indenture.
(b) Base Rentals and Additional Rents for each School Fiscal Year shall be due in the amounts set forth in EXHIBIT F attached hereto, and shall be paid from amounts deposited with the Trustee pursuant to this Section 6.2, provided, however, that nothing in this Lease shall be construed as prohibiting the Lessee from making any payment hereunder from other legally available revenues of the Lessee to the extent Charter Revenues and Additional Revenue are insufficient therefore; provided that the Lessee shall not be obligated to make payment hereunder from any source other than Charter Revenues and Additional Revenue. The Base Rentals shall be payable in advance in equal monthly installments.

(c) It is understood and agreed that all Base Rentals and Additional Rents payable under this Section 6.2 by the Lessee are assigned by the Lessor to Trustee. The Lessee expressly assents to such assignment. The Lessor hereby directs the Lessee, and the Lessee hereby agrees to pay, in immediately available funds all Base Rentals and Additional Rents required to be made under this Section 6.2 directly to the Trustee. All payments of Base Rentals and Additional Rents by Lessee shall be made without defense, counterclaim or set-off by reason of any dispute between the Lessee and the Lessor, or between the Lessee and the Trustee, or between the Lessor and the Trustee, or for any other reason whatsoever (any such defenses or rights to set-off being absolutely waived by the parties hereto).

(d) All payments of Base Rentals and Additional Rents shall be paid directly to the Trustee for the account of the Lessee.

(e) Base Rentals and Additional Rents due under this Lease shall be absolutely net to the Lessor, and the Lessor shall be under no obligation to operate, maintain, replace or improve the Leased Property or pay the cost thereof from such Base Rentals or Additional Rents, except as otherwise herein provided, but shall be entitled to receive the Base Rentals and Additional Rents hereunder on an absolutely net basis, and such Base Rentals and Additional Rents shall not be subject to abatement.

(f) At all times while this Lease remains in effect, Lessee agrees that all Charter Revenues, Additional Revenue and Capital Contributions shall be deposited with the Trustee, to be applied first to the payment of Base Rentals hereunder, and thereafter such Charter Revenues, Additional Revenue and Capital Contributions shall be applied as provided in the Loan Documents. To secure the obligations of Lessee hereunder, all rents, issues, royalties, profits, revenues and incomes, all Charter Revenues, Additional Revenue and Capital Contributions and all Lessee's rights under all leases or subleases now or hereafter demising any portion of the Leased Property, are hereby assigned to the Trustee for the benefit of the Lessor and such other parties as their interest shall appear under the terms of the Loan Documents.

Section 6.3 Additional Rent. In consideration of the payment of Additional Rent by the Lessee, Lessor agrees as follows:

(a) Lessor shall be responsible and accountable to the Lessee for the administration and operation of the Project, provided, however, Lessor's responsibility is expressly limited by the availability of Additional Rent and the terms and conditions of the Loan Documents.
(b) Lessor shall be responsible for the payment of Operating Expenses (as defined in the Indenture) with respect to the Leased Premises, but solely from and to the extent of amounts deposited in the Operating Expense Fund as provided in the Indenture.

(c) Lessor covenants and agrees that the amounts, if any, received by Lessor pursuant to Section 3.3(f) of the Indenture shall be applied in the following order of priority:

(i) first, to the payment of any unpaid Fees (as defined in the Management Agreement) due to the Manager;

(ii) second, to the payment of any unpaid fees under the Property Management Agreement;

(iii) third, to the payment of unpaid annual Development Agreement installments;

(iv) fourth, to reimburse the Manager, the City, Lee Charter Foundation, Inc., or any successor manager, for expenditures relating to the Leased Property to the extent they are permitted under the Code; and

(v) fifth, for any other purpose permitted under the Indenture.

Section 6.4 Capital Contributions. Lessor shall pay to the Trustee at the time of issuance of the Bonds the sum of $200,000 as a Capital Contribution to be deposited into the Cost of Issuance Fund established under the Indenture. In addition, subject to appropriation of such amount by the City Council of the Lessee on or before such date, the Lessee shall also pay to, the Trustee no later than October 1 of 2006, the sum of $100,000.

Section 6.5. Manner of Payment. The Base Rentals, Additional Rents and Capital Contributions shall be paid in lawful moneys of the United States of America to the Trustee. The obligation of the Lessee to pay the Base Rentals, Additional Rents and Capital Contributions required under this Article VI and other sections hereof, during the Lease Term, shall be absolute and unconditional, subject to the provision of Section 6.1 and Section 6.4 hereof, and payment of the Base Rentals, Additional Rents and Capital Contributions shall not be abated through accident or unforeseen circumstances. Notwithstanding any dispute between the Lessee and the Lessor, the Trustee, any sublessee, Charter Schools USA, Inc., the Manager, any other manager for the school operated on the Leased Property, any contractor or subcontractor retained with respect to the Leased Property, any supplier of labor or materials in connection therewith, or any other person, the Lessee shall, during the Lease Term, make all payments of Base Rentals, Additional Rents and Capital Contributions when due and shall not withhold any Base Rentals, Additional Rents or Capital Contributions, nor shall the Lessee assert any right of set-off or counterclaim against its obligation to make such payments required hereunder. No action or inaction on the part of the Lessor, any sublessee, the Trustee, Charter Schools USA, Inc., the Manager, any other manager for the school operated on the Leased Property, any supplier of labor or materials in connection therewith or any other person shall affect the Lessee's obligation to pay all Base Rentals, Additional Rents and Capital Contributions, during the Lease Term.
In order to provide for the payment of all Base Rentals, Additional Rents and Capital Contributions, the Lessee hereby pledges and agrees to deposit with the Trustee, immediately upon receipt, all Charter Revenues and Additional Revenue (except any portion which is prohibited by law from being applied to payments under this Lease), to be applied in accordance with the Indenture.

**Section 6.6 Expression of the Lessee's Need for the Leased Property; Determinations as to Fair Market Value.** The Lessee hereby declares its current needs for the Leased Property. The Lessee and the Lessor hereby agree and determine that the Base Rentals and Additional Rents hereunder during the Original Term and any Renewal Terms of this Lease represent the fair value of the use of the Leased Property. In making such determinations, the Lessee and the Lessor have given consideration to the Leased Property cost, the uses and purposes for which the Leased Property will be employed by the Lessee, the benefit to the Lessee of the Leased Property, the expected level of enrollment of students in the school as set forth in the Charter and the expected level of funding by the State of Charter Revenues.

The Lessee hereby determines and declares that the financing of the Leased Property pursuant to this Lease will result in Leased Property of comparable quality and meeting the same requirements, standards and costs as would be necessary if the Leased Property was provided other than pursuant to this Lease. The Lessee hereby determines that the maximum term of this Lease does not exceed the useful life of the Leased Property.

**Section 6.7 Estoppel.** Lessee shall, at any time and from time to time within ten (10) days after written request by Lessor or Trustee, deliver to Lessor and Trustee a statement in writing duly executed by Lessee, certifying: (a) that this Lease is in full force and effect without modification or amendment (or, if there have been any modifications or amendments, that this Lease is in full force and effect as modified and setting forth the modifications and amendments); (b) the dates to which annual Basic Rentals have been paid; and (c) that to the knowledge of Lessee, no default exists under this Lease or specifying each such default; it being the intention and agreement of Lessor and Lessee that any such statement by Lessee may be relied upon a prospective purchaser or a prospective or current mortgagee of the Building or by others in any matter affecting the Leased Property.

**Section 6.8. Additional Appropriation.** In reliance upon student population projections provided by Lessor to the Lessee in connection herewith and on state school funding formulas as of the date hereof, the Lessee anticipates that Charter Revenues and Additional Revenue will be sufficient for timely payment of Base Rentals and Operating Expenses. Nevertheless, the Lessee understands that the Trustee or the Lessor may request that Lessee appropriate other funds if such amounts are not sufficient for such purposes. The Lessee, acting by and through its City Council, hereby agrees that based on the determination by the Lessee that the operation of the Patriot Charter School is an essential governmental activity of the Lessee it will give full consideration to any such request of the Trustee or the Lessor to appropriate additional moneys to pay Base Rentals and Operating Expenses. Such determination has been made due to the limited school capacity available to educate students expected as a result of projected population growth within the corporate limits of the Lessee. The Lessee is under no
obligation to appropriate any amounts in response to an appropriation request, but is obligated only to give full consideration to such request within 30 days after receipt of written request from the Lessor or the Trustee. Moreover, the Lessee is under no obligation to pay Base Rentals and Operating Expenses from any source other than Charter Revenues and Additional Revenue, and the Lessor hereby acknowledges and agrees that the City Council cannot bind itself as to whether it or a future City Council will or will not make an appropriation from other moneys of the Lessee in the event of an insufficiency of Charter Revenues and Additional Revenue. As used above, the term "full consideration" shall mean that the City Council will (a) consider the request for appropriation, (b) as a separate agenda item, (c) at a regular or special meeting of the City Council, (d) at which a quorum is present and acting at the time of such consideration, and (e) with respect to which any interested party or its representative is allowed to make comments before a presentation to the City Council. The appropriation and advance of such other moneys by the Lessee would be on a basis not more often than quarterly, and any obligation to consider such appropriation and advance would begin following all expenditure of capitalized interest for the Bonds and continue until such time as the Long-Term Debt Service Coverage Ratio (but calculated without the Management Fee and the Property Management Fee, as such terms are defined in the Indenture), expressed as a percentage, shall equal or exceed 100% for two successive Fiscal Years occurring not earlier than the first Fiscal Year when no capitalized interest is applied in payment on the Bonds, as evidenced by the Audited Financial Statements of the Lessor delivered pursuant to the Loan Agreement. The obligation of the Lessee to consider any such advances is effective only if Charter Revenues and Additional Revenues are available but are insufficient to pay Base Rentals and Operating Expenses (excluding the Management Fee and Property Management Fee).

ARTICLE VII

AUTHORITY

So long as this Lease is in full force and effect and no Event of Default shall have occurred, the Lessee shall have full power to carry out the acts and agreements provided in this Lease, and such power is granted and conferred under this Lease to the Lessee and is accepted by the Lessee and shall not be terminated or restricted by the Lessor.

ARTICLE VIII

TITLE TO THE LEASED PROPERTY; LIMITATIONS ON ENCUMBRANCES

Section 8.1 Title to the Leased Property. Except moveable personal property purchased by the Lessee at its own expense pursuant to Section 9.2 of this Lease, title to the Equipment and the Building, and any and all additions and modifications to or replacements of all or any portion thereof, shall be held in the name of the Lessor, subject only to Permitted Encumbrances, until sold, foreclosed on or conveyed as provided in the Loan Documents, notwithstanding (a) the occurrence of one or more Events of Default as defined in Section 14.1 of this Lease; (b) the occurrence of any event of damage, destruction, condemnation or
construction defect or title defect, as provided in Article X of this Lease; or (c) the violation by
the Lessor (or by Trustee as assignee of the Lessor pursuant to the Loan Documents) of any
provision of this Lease.

The Lessee shall have no right, title or interest in the Leased Property or any additions
and modifications to or replacements of any portion of the Leased Property, except as expressly
set forth in this Lease and the Ground Lease.

Section 8.2 No Encumbrance, Mortgage or Pledge of, or Security Interest in, the
Leased Property. The Lessee shall not permit any mechanic's or other lien to be perfected or
remain against the Leased Property, provided that, if the Lessee shall first notify Lessor and
Trustee of the intention of the Lessee so to do, the Lessee may in good faith contest any
mechanic's or other lien filed or perfected against the Leased Property, and in such event may
permit the items so contested to remain undischarged and unsatisfied during the period of such
contest and any appeal therefrom; provided, however, that during the prosecution of such contest
and appeal and until final discharge of such mechanic's or other lien, the Lessee shall (a) provide
a surety bond in the amount of such mechanic's or other lien in accordance with the laws of the
State, or (b) provide affirmative title insurance coverage over such mechanic's or other lien, or
(c) provide such other collateral or surety of payment as Lessor and Trustee may deem
acceptable in their sole discretion. The Lessor will cooperate fully with the Lessee in any such
contest, upon the request and at the expense of the Lessee. The Lessee shall not permit any
security interest to be attached to, perfected or remain against the Equipment except for such
security interest of Trustee pursuant to the Loan Documents. Neither the Lessor nor, except as
provided above, the Lessee shall directly or indirectly create, incur, assume or suffer to exist any
mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property,
except Permitted Encumbrances. The Lessee shall promptly, at its own expense, take such
action as may be necessary to duly discharge any such security interest, mortgage, pledge, lien,
charge, encumbrance or claim not excepted above which it shall have created, incurred or
suffered to exist. The Lessor shall promptly, at its own expense, take such action as may be
necessary to duly discharge any such security interest, mortgage, pledge, lien, charge,
encumbrance or claim not excepted above which it shall have created or incurred.

ARTICLE IX

MAINTENANCE, TAXES, INSURANCE AND OTHER CHARGES

Section 9.1 Maintenance of the Leased Property by the Lessor. The Lessor agrees
that, at all times during the Lease Term, it will, to the extent of Additional Rent made available
for such purpose and subject to the provisions of the Loan Documents, maintain, preserve and
keep the Leased Property or cause the Leased Property to be maintained, preserved and kept,
with the appurtenances and every part and parcel thereof, in good repair, working order and
condition, and that it will from time to time make or cause to be made all necessary and proper
repairs, except as otherwise provided in Sections 9.3 and 10.3 of this Lease.
Section 9.2 Modification of the Leased Property

(a) Lessee shall not make any alterations, interior decorations, improvements or additions to the Leased Property or attach any fixtures or equipment thereto that are not related to the usual and customary operation of a charter school without the Lessor's and Trustee's prior written consent, which approval shall not be unreasonably withheld. All alterations, interior decorations, improvements or additions made to the Leased Property or the attachment of any fixtures or equipment thereto made by the Lessee shall be performed at Lessee's sole cost and expense. All alterations, improvements, additions or fixtures, whether installed before or after the execution of this Lease not related to the usual and customary operation of a charter school, shall remain upon the Leased Property at the expiration or sooner termination of this Lease and become the property of Lessor, unless Lessor shall, prior to the termination of this Lease, have given written notice to Lessee to remove the same. In the event that Lessor requests such removal and Lessee fails to remove same and repair any damage caused thereby on or before said expiration date, Lessee agrees to reimburse and pay Lessor for the cost of removing same and repairing any damage to the Leased Property caused by said removal, except for damage caused by negligence of Lessor, or its agents, workmen or employees.

(b) In doing any such work of installation, removal, alteration or relocation, Lessee shall use due care to cause as little damage or injury as possible to the Leased Property and to repair all damage or injury that may occur to the Leased Property in connection with such work. Lessee agrees in doing any such work in or about the Leased Property to use its best efforts to engage only such labor as will not conflict with or cause strikes or other labor disturbances among the building service employees of the Lessor. Any contractors employed by Lessee for such installations shall carry workman's compensation insurance, public liability insurance and property damage insurance in amounts, form and content and with companies satisfactory to Lessor. Prior to the commencement by Lessee of any work as set forth in this Paragraph, Lessee must obtain, at its sole cost and expense, all necessary permits, authorizations and licenses required by the various government authorities having jurisdiction over the Leased Property.

(c) Lessee agrees not to allow any mechanic's lien to be filed against the Leased Property for any construction of other work on or about the Leased Property performed or to be performed at Lessee's request. Notwithstanding the foregoing, if any mechanic's or other lien shall be filed against the Leased Property purporting to be for labor or materials furnished or to be furnished at the request of Lessee, then Lessee shall, at its own expense, cause such lien to be discharged or stayed of record by payment, bond or otherwise, within sixty (60) days after filing thereof. If Lessee shall fail to commence actions to cause such lien to be discharged or stayed by payment, bond or otherwise within sixty (60) days after filing thereof, Lessor may cause such lien to be discharged or stayed by payment, bond or otherwise, without investigating as to the validity thereof or as to any offsets on defenses thereto. Lessee shall, to the extent permitted by law but only from and to the extent of Charter Revenues and Additional Revenue, indemnify and hold Lessor harmless against any and all claims, costs, damages, liabilities and expenses (including attorney's fees) which may be brought or imposed against or incurred by Lessor by reason of any such lien or its discharge.
Section 9.3 Replacement and Substitution of Equipment. In any instance where the Lessee determines that any Equipment has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Lessee may on behalf of the Lessor sell, trade-in, exchange or otherwise dispose of such Equipment (as a whole or in part), provided that the Lessee or Lessor shall either:

(a) substitute (by direct payment of the costs thereof or by designating as Equipment, machinery, equipment or other personal property, other than property included as part of the Leased Property pursuant to Section 9.2 hereof) and install anywhere in or on the Leased Property, other equipment, machinery or related property having equal or greater value and utility (but not necessarily having the same function) in the operation of the Leased Property; or

(b) not make any such substitution and installation, provided that (i) in the case of the trade-in of such Equipment for other machinery, equipment or related property, the Lessee shall pay to Trustee the amount of the credit received by it in such trade-in and (ii) in the case of the sale of any such Equipment, or in the case of any other disposition thereof, the Lessee shall pay to Trustee an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting principles.

The replacement and substitution of any portion of the Equipment pursuant to the provisions of this Section 9.3 shall not entitle the Lessee to any postponement, abatement or diminution of the Base Rentals or other payments required to be made under Article VI of this Lease.

The Lessee will promptly report in writing to Lessor and Trustee each removal, substitution, sale or other disposition under subsections (a) and (b) of this Section and will pay to Trustee all amounts required by subsection (b) of this Section to be paid promptly after any subsequent sale, trade-in or other disposition requiring such payment. All substituted machinery, equipment or related property installed pursuant to this Section 9.3 shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Leased Property and become subject to the lien of the Loan Agreement. The Lessee and Lessor shall furnish to Trustee Financing Statements and other documentation with respect to any equipment, machinery or related property substituted as Equipment as required to perfect a security interest therein. The Lessor and Trustee will cooperate with the Lessee in implementing the rights of the Lessee to dispose of Equipment pursuant to this Section 9.3 and will execute any and all conveyances, releases or other documents necessary or appropriate in connection therewith subject to the requirements of the Loan Agreement.

Section 9.4 Taxes, Other Governmental Charges and Utility Charges. In the event that the Leased Property, or any portion thereof shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body, the Lessor shall, during the Lease Term, but only to the extent of Additional Rent made available for such purpose and deposited in the Operating Expense Fund, pay the amount of all such taxes, assessments and governmental charges then due. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the
Lessor shall be obligated to provide for such installments as are required to be paid during the Original or any Renewal Term. Neither the Lessor nor the Lessee shall allow any liens for taxes, assessments or governmental charges to exist with respect to the Leased Property, or any portion thereof (including, without limitation, any taxes levied upon the Leased Property, or any portion thereof which, if not paid, will become a charge on the rentals and receipts from the Leased Property, or any portion thereof, or any interest therein, including the interest of the Lessor or Trustee), or the rentals and revenues derived therefrom or hereunder. The Lessor shall, during the Lease Term, but only to the extent of Additional Rent made available for such purpose and deposited in the Operating Expense Fund, pay, as the same respectively become due, all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the maintenance and upkeep of the Leased Property and all charges for maintenance and upkeep of the Equipment.

The Lessor or the Lessee may, at the expense and in the name of the Lessee, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the security afforded pursuant to the Loan Documents will be materially endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, or the Lessor or Trustee will be subject to liability, in which event such taxes, assessments, utility or other charges shall be paid forthwith (provided, however, that such payment shall not constitute a waiver of the right to continue to contest such taxes, assessments, utility or other charges).

**Section 9.5 Provisions Regarding Casualty, Public Liability and Property Damage Insurance.** Upon execution and delivery of this Lease, the Lessor shall, but only to the extent of Additional Rent made available for such purpose and deposited in the Operating Expense Fund, cause casualty and property damage insurance to be carried and maintained with respect to the Leased Property in such amounts as are required by the Loan Documents. In the event that the Lessor shall so fail to insure the Leased Property, Trustee or Lessee may, but shall be under no obligation to, pay premiums for such casualty and property damage insurance, and reimbursement of such premium shall be due from Lessor. The Lessor shall, during the Lease Term, but only to the extent of Additional Rent made available for such purpose and deposited in the Operating Expense Fund, comply with the terms of such casualty and property damage insurance, consistent with the requirements of this Section 9.5, and as to the selection of a responsible insurer to provide such casualty and property damage insurance. The insurance policies may have deductible clauses in amounts not to exceed $5,000. The Leased Property may be insured under a blanket insurance policy which insures other buildings as well, as long as such blanket insurance policy complies with the requirements of the Loan Documents. If the Lessee shall insure against similar risks by self-insurance, the Lessee, at its election, may provide for public liability insurance with respect to the Leased Property partially or wholly by means of any adequate self-insurance fund to the extent permitted under the Loan Documents.

Upon the execution and delivery of this Lease, the Lessor shall, but only to the extent of Additional Rent made available for such purpose and deposited in the Operating Expense Fund,
cause general accident and public liability insurance to be carried and maintained with respect to the activities to be undertaken by and on behalf of the Lessee in connection with the use of the Leased Property. Such general accident and public liability insurance shall be in an amount not less than $1,000,000 for personal injury or death and $100,000 for property damage limits, or higher if required under the Loan Documents. The public liability insurance required by this Section 9.5 may be by blanket insurance policy or policies.

Any casualty and property damage insurance policy required by this Section 9.5 shall be so written or endorsed as to make losses, if any, payable to Trustee, who, along with the Lessee and the Lessor, shall be an additional insured. Each insurance policy provided for in this Section 9.5 shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of Trustee, without first giving written notice thereof to the Lessor, the Lessee and Trustee at least 30 days in advance of such cancellation or modification. All insurance policies issued pursuant to this Section 9.5, or certificates with respect thereto, shall be deposited with Trustee. No agent or employee of the Lessor shall have the power to adjust or settle any loss with respect to the Leased Property, whether or not covered by insurance, without the prior written consent of Trustee. The consent of the Lessor shall not be required for any such adjustment or settlement.

Lessee agrees that it will not do or suffer to be done, any act, matter or thing objectionable to the fire insurance companies whereby the fire insurance or any other insurance now in force or hereafter to be placed on the Leased Property or Building, shall become void or suspended or whereby the same shall be rated as a more hazardous risk than at the date when Lessee receives possession hereunder.

**Section 9.6. Hazardous Material**

(a) **LESSEE MAY NOT UTILIZE OR STORE ANY HAZARDOUS MATERIALS ON THE LEASED PROPERTY,** unless, (a) such materials are used and containing materials used in connection with school functions and operations or (b) Lessee presents to Lessor a notarized affidavit stating Lessee's SIC number together with a detailed list of all hazardous materials to be used or stored on the Leased Property and, provided further, that Lessee is not in violation of Section 9.1.

(b) The term "Hazardous Materials," as used in this Lease, shall include: (a) any substances defined as "hazardous substances," "pollutants," "contaminants," "hazardous materials," "hazardous wastes," or "hazardous or toxic substances" or related materials as now or hereafter defined in any Environmental Law, (b) those substances listed or otherwise identified as substances of the type referred to in the preceding subsection (a) in the regulations adopted and issued pursuant to any Environmental Law, as the same may be amended, modified or supplemented; (c) any friable asbestos, airborne asbestos in excess of that generally found in the atmosphere, respectively, where the Facilities are located, or any substance or material containing asbestos, excluding any such materials located on the educational facilities of the Company prior to the date of the Loan Agreement so long as such materials are contained, maintained, abated, or removed in compliance with all applicable Environmental Laws; and
(d) any substance the presence of which on the Facilities is prohibited by any applicable Environmental Law; provided that Hazardous Material shall not include any such substances used in or resulting from the ordinary operation of the Facilities or for the cleaning of the Facilities; provided that such substances are stored, handled and disposed of in compliance with all applicable Environmental Laws and other applicable laws and regulations.

(c) Lessee shall not cause or permit to occur: (i) any violation of any federal, state or local law, ordinance or regulation now or hereafter enacted, related to environmental conditions on, under or about the Leased Property or arising from Lessee's use or occupancy of the Leased Property, including, but not limited to, soil and ground water conditions; or (ii) the use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Material without Lessor's prior written consent, which consent may be withdrawn, conditioned or modified by Lessor in its sole and absolute discretion in order to insure compliance with all applicable Laws (hereinafter defined), as such Laws may be enacted or amended from time to time.

(d) Lessee shall, at Lessee's own expense, comply or require compliance with (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1976, 42 U.S.C. §§ 9601 et seq.; (b) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by SARA, 42 U.S.C. §§ 1820 et seq.; (c) the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1810 et seq.; (d) the Toxic Substances Control Act, 15 U.S.C. §§ 2601 et seq.; (e) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §§ 9601 et seq.; (f) the Clean Water Act, 33 U.S.C. §§ 1251 et seq.; (g) the Clean Air Act, 42 U.S.C. §§ 7412 et seq.; and (h); and any related laws of the State of Florida or ordinances or resolutions of the City, as any such acts, powers and duties may be amended, modified or supplemented and any regulations promulgated pursuant to any of the foregoing statutes (the "Law").

(e) Lessee shall, at Lessee's own expense, make or require to be made all submissions to, provide all information required by and comply with all requirements of all governmental authorities (the "Authorities") under the Laws.

(f) should any Authorities or any third party demand a cleanup plan be prepared or undertaken because of any deposit, spill, discharge or other release of Hazardous Materials that occurs during the term of this Lease and which are caused by Lessee, its employees, agents (other than the Manager) or invitees, at or from the Leased Property or which arises at any time from Lessee's actions or inactions, Lessee shall at Lessee's own expense, prepare and submit or require to be prepared and submitted the required plans and all related bonds and other financial assurances and Lessee shall carry out or cause to be carried out all such cleanup plans.

(g) Lessee shall promptly provide or cause to be provided all information regarding the use, generation, storage, transportation or disposal of Hazardous Materials required by Lessor. If Lessee fails to fulfill any duty imposed under this Section 9.6 within thirty (30) days following its request, Lessor may proceed with such efforts and in such case, Lessee shall cooperate with Lessor in order to prepare all documents Lessor deems necessary or appropriate
to determine the applicability of the Laws to the Leased Property and Lessee's use thereof and for compliance therewith, and Lessee shall execute all documents promptly upon Lessor's request and any expenses incurred by Lessor shall be payable by Lessee as Additional Rent. No such action by Lessor and no attempt made by Lessor to mitigate damages under any Law shall constitute a waiver of any Lessee's obligations under this Section 9.6.

(h) Lessee's obligations and liabilities under this Section 9.6 shall be payable solely from Charter Revenues and Additional Revenue and shall survive the expiration of this Lease.

ARTICLE X

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 10.1 Damage, Destruction and Condemnation. If, during the Lease Term (a) the Leased Property shall be destroyed (in whole or in part), or damaged by fire or other casualty; or (b) title to, or the temporary or permanent use of, the Leased Property or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental authority; or (c) a material defect in the Leased Property shall become apparent; or (d) title to or the use of all or any portion of the Leased Property shall be lost by reason of a defect in title thereto; or (e) the Equipment shall be destroyed (in whole or in part), or damaged by fire or other casualty, then the Lessee shall continue to be obligated, subject to the provisions of Section 10.3 of this Lease, to continue to pay the amounts specified in Sections 10.2 and Article VI of this Lease.

Section 10.2 Obligation to Repair and Replace the Leased Property. Subject to the provisions of Section 10.3 of this Lease, Trustee shall cause the Net Proceeds of any insurance policies, performance bonds, condemnation awards or Net Proceeds received as a consequence of default under any construction contract or made available by reason of any occurrence described in Section 10.1 hereof, to be deposited with the Trustee and applied as provided in the Indenture. Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds shall be the property of the Lessor, subject to this Lease, and shall be included as part of the Leased Property, as applicable under this Lease, and shall be subject to the lien of the Loan Agreement.

Lessee agrees that there shall be no rent abatement if Lessee is unable to use the Leased Property for any reason whatsoever, including the lack of utilities and/or damage to the Leased Property. Lessee agrees to purchase and maintain adequate insurance, including business interruption insurance to cover all such occurrences and the insurance company agrees to waive any rights of subrogation against Lessor, its agents, servants and/or employees.

Section 10.3 Insufficiency of Net Proceeds: Discharge of the Obligation of the Lessee to Repair or Replace Leased Property. If the Net Proceeds (plus any amount withheld therefrom by reason of any deductible clause) shall be insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Leased Property, as
applicable, as required under Section 10.2 of this Lease, the Lessee may elect to proceed under any of the following options:

(a) The Lessee may complete the work and pay any cost in excess of the amount of the Net Proceeds, and the Lessee agrees that, if by reason of any such insufficiency of the Net Proceeds, the Lessee shall make any payments pursuant to the provisions of this Section 10.3(a), the Lessee shall not be entitled to any reimbursement therefor from the Lessor or Trustee, nor shall the Lessee be entitled to any diminution of the Base Rentals and Additional Rents payable under Article VI of this Lease.

(b) Lessee may notify Lessor that it shall exercise its option not to renew the Lease at the end of the then-current Renewal Term.

Within 90 days of the occurrence of an event specified in Section 10.1 of this Lease, subject to the provisions of the Loan Documents, the Lessee shall commence the repair, restoration, modification, improvement or replacement of the Leased Property or the Equipment, as applicable, or shall elect, by written notice to Trustee, to proceed under the provisions of subsection (b) of this Section 10.3. In the event that the Lessee shall, after commencing the repair, restoration, modification, improvement or replacement of all or any portion of the Leased Property determine that the Net Proceeds (plus any amount withheld therefrom by reason of any deductible clause) shall be insufficient for the accomplishment thereof, the Lessee may elect to proceed under subsection (b) of this Section 10.3.

Section 10.4 Cooperation of Lessor. The Lessor shall cooperate fully with the Lessee and Trustee in filing any proof of loss with respect to any insurance policy or performance bond covering the events described in Section 10.1 of this Lease, in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Property or any portion thereof, or in any action relating to any construction contract or Equipment purchase contract, and hereby assigns to Trustee any interest it may have in such policies or rights of action for such purposes. In no event shall the Lessor voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or action relating to any construction contract for the Building or Equipment purchase contract, without the written consent of Trustee and the Lessee.

ARTICLE XI

OTHER COVENANTS

Section 11.1 Further Assurances and Corrective Instruments. The Lessor and the Lessee agree that they will, from time to time execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be, or for otherwise carrying out the intention hereof.
Section 11.2  Lessor and Lessee Representatives. Whenever under the provisions hereof the approval of the Lessor or the Lessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Lessor by the Lessor Representative, and for the Lessee by the Lessee Representative, and the Lessor, the Lessee and Trustee shall be authorized to act on any such approval or request.

Section 11.3  Compliance With Requirements. During the Lease Term, the Lessee, the Lessor and Trustee shall observe and comply promptly with all current and future orders of all courts having jurisdiction over the Leased Property or any portion thereof, and all current and future requirements of all insurance companies writing policies covering the Leased Property or any portion thereof.

Section 11.4  Lessee Acknowledgement of the Assignment. The Lessee acknowledges and agrees to the assignment by the Lessor to Trustee of the Base Rentals, Additional Rents and Capital Contributions.

Section 11.5  Indemnification.

(a) Lessee shall, to the extent permitted by law but only from and to the extent of available Charter Revenues and Additional Revenues and subordinate to the application of such Charter Revenues and Additional Revenues pursuant to the Indenture, indemnify, hold harmless and defend Lessor from and against any and all costs, expenses (including reasonable counsel fees), liabilities, losses, damages, suits, actions, fines, penalties, claims or demands of any kind connected with, and Lessor shall not be liable to Lessee on account of: (i) any failure by Lessee to perform any of the agreements, terms, covenants or conditions of this Lease required to be performed by Lessee; (ii) any failure by Lessee to comply with any statutes, ordinances, regulations or orders of any governmental authority; or (iii) any accident, death, or personal injury or damage to or losses or theft of property which shall occur in or about the Leased Property occasioned wholly or in part by reason of any act or omission of Lessee, its agents, contractors or employees.

(b) Lessor shall indemnify, hold harmless and defend Lessee from and against any and all costs, expenses (including reasonable counsel fees), liabilities, losses, damages, suits, actions, fines, penalties, claims or demands of any kind connected with, and Lessee shall not be liable to Lessor on account of: (i) any failure by Lessor to perform any of the agreements, terms, covenants or conditions of this Lease required to be performed by Lessor; (ii) any failure by Lessor to comply with any statutes, ordinances, regulations or orders of any governmental authority; or (iii) any accident, death, or personal injury or damage to or losses or theft of property which shall occur in or about the Leased Property occasioned wholly or in part by reason of any act or omission of Lessor, its agents, contractors or employees.

Section 11.6  Lessor Obligations. Lessor's obligations hereunder shall be binding upon Lessor only for a period of time that Lessor is in ownership of the Building and, upon termination of that ownership, Lessee, except as to any obligations which have then matured, shall look solely to Lessor's successor in interest in the Building for the satisfaction of each and every obligation of Lessor hereunder.
Section 11.7 **Lessor Liabilities.**

(a) **Lessor** shall incur no liability to **Lessee** in the event that any utility becomes unavailable from any source of supply or for any other reason, unless caused by the act or omission of the Lessor;

(b) **Lessee** waives any rights of claim against Lessor on account of any loss or damage to Lessee's property, the Leased Property or its contents, including, but not limited to: (i) loss caused by the condition of the Leased Property, the condition or operation of or defects in any equipment, machinery or utility systems located therein or the act or omission of any person or persons, except loss caused solely and directly by or due to the negligence or intentional acts of Lessor, its authorized employees or agents; (ii) theft, mysterious disappearance or loss of any property of the Leased Property; and (iii) any interference or disturbance by third parties, including, without limitation, other lessees;

(c) **Lessor** shall not be in default hereunder or liable for any damages directly or indirectly resulting from, nor shall the rent herein reserved be abated by reason of: (i) the installation, use or interruption of use of any equipment in connection with the furnishings of any of the foregoing services; (ii) failure to furnish or delay in furnishing any such services; or (iii) the limitation, curtailment, rationing or restriction on use of water, electricity, gas or any other form of energy serving the Leased Property;

(d) **Lessor** shall not be responsible or liable to **Lessee**, or to those claiming by, through or under **Lessee**, for any loss or damage which may be occasioned by or through the acts or omissions of persons occupying any other part of the Building, or for any loss or damage resulting to **Lessee**, or those claiming by, through or under **Lessee**, or its or their property, from the breaking, bursting, stoppage or leaking of electrical cable and wires, or water, gas, sewer or steam pipes, unless caused by the act or omission of the Lessor, its contractors, employees or agents. To the maximum extent permitted by law, **Lessee** agrees to use and occupy the Leased Property, and to use such other portions of the Building as **Lessee** is herein given the right to use, at **Lessee**'s own risk.

**ARTICLE XII**

**CONSTRUCTION**

Section 12.1 **Building Construction.** **Lessor** will, at its own expense, cause the Building to be completed in the manner set forth in EXHIBIT A, and the same will be ready for occupancy on July 1, 2006. **Lessor** shall, at its own expense, deliver the Building to **Lessee** in full and complete compliance with all laws, orders and regulations of federal, state and municipal authorities and with any lawful direction of any public officer (including but not limited to laws, orders and regulations with respect to the Americans with Disabilities Act of 1990). The Building shall be deemed ready for occupancy when the work being performed therein is substantially completed. The term "substantially completed" shall be construed to mean such completion as shall enable **Lessee** to reasonably and conveniently use and occupy the Building.
for the conduct of its ordinary business and a certificate of occupancy has been issued by the appropriate authority, even though minor details, decorations and mechanical adjustments (hereinafter referred to as "Punch List Items") remain to be completed by the Lessor, provided that such Punch List Items shall be completed within thirty (30) days of the date that the certificate of occupancy has been submitted. Lessor shall construct improvements to the Leased Property in accordance with the Construction Timeline set forth in EXHIBIT D.

Section 12.2 Utility Services. Lessor shall, at its expense, provide a heating, cooling and ventilating system (hereinafter referred to as the "HVAC System") sufficient to maintain the Building in accordance with the standards and specifications identified in EXHIBIT B. Lessor shall furnish Lessee with an electrical system having the minimum required capacity identified in EXHIBIT B and Lessor shall also furnish hot and cold water and sewer for normal school needs. Lessor shall install, at its expense an electric meter to the demises Building. Lessor shall, but only to the extent of Additional Rent made available for such purpose and deposited in the Operating Expense Fund, clean the Leased Property at its expense and shall pay for all electricity, gas, sewer charges and water consumed by Lessee on the Leased Property, such payments to be made directly to suppliers thereof.

ARTICLE XIII

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 13.1 Assignment by Lessor; Replacement of Lessor. The rights of the Lessor under this Lease, including rights to receive and enforce payments hereunder, have been or shall be assigned to Trustee pursuant to the Loan Documents. In the event of any bankruptcy, insolvency, or other similar proceeding as to the Lessor, or in any other event which materially impairs the ability of the Lessor to serve as lessor under this Lease or as borrower under the Loan Documents, Trustee may replace the Lessor with such other entity as it deems appropriate. In any such event the Lessor shall cooperate with Trustee in conveying title to its interest in the Leased Property and any and all other right, title and interest of the Lessor in, to and under this Lease and the Loan Documents to such successor entity as Trustee may designate. Any costs or expenses incurred by or charged to the Lessor at the request of Trustee and in the course of cooperating with Trustee pursuant to the provisions of this Section shall be paid by the Lessee.

Section 13.2 Assignment and Subleasing by the Lessee. This Lease may not be assigned by the Lessee for any reason. However, subject to the requirements of the Loan Documents the Leased Property may be subleased, as a whole or in part, by the Lessee, without the necessity of obtaining the consent of the Lessor or Trustee; subject, however, to each of the following conditions:

(a) This Lease, and the obligations of the Lessee hereunder, shall, at all times during the Initial and any Renewal Terms, remain obligations of the Lessee, and the Lessee shall maintain its direct relationships with the Lessor and Trustee, notwithstanding any sublease;
(b) The Lessee shall furnish or cause to be furnished to the Lessor and Trustee a copy of any sublease agreement; and

c) The use of the Leased Property by the sublessee shall comply with all federal, state and local land use, zoning, environmental and similar laws, rules, ordinances and resolutions.

Section 13.3 Restrictions on Mortgage or Sale. The Lessee and the Lessor agree that, except for (a) the assignment by the Lessor of this Lease and sale or mortgaging of the interest of the Lessor or its successors in the Leased Property and the granting of a security interest in the Equipment to the Trustee pursuant to the Loan Documents or to any successor mortgagee or secured party; (b) any exercise by Trustee or the Lessor of the remedies afforded by this Lease and the Loan Documents; (c) the right of Trustee to replace the Lessor pursuant to Section 13.1 of this Lease and any conveyances required by reason of such replacement; (d) the right of the Lessee to sublease all or a portion of the Leased Property pursuant to Section 13.2 of this Lease; and (e) any conveyance permitted pursuant to Article XII of this Lease; neither the Lessor nor the Lessee will mortgage, sell, assign, grant a security interest in, transfer or convey the Leased Property or any portion thereof, as applicable, during the Lease Term.

ARTICLE XIV

EVENTS OF DEFAULT AND REMEDIES

Section 14.1 Events of Default Defined. Any one of the following shall be an "Event of Default" under this Lease:

(a) (i) Failure by the Lessee to pay any Charter Revenues or Additional Revenue to the Trustee when and as received by the Lessee; or

   (ii) Insufficiency of Charter Revenues and Additional Revenue to pay Base Rental or Additional Rents when due hereunder; or

(b) Failure by the Lessee to vacate the Leased Property and surrender possession of the Leased Property at the expiration of the Lease Term; or

(c) The vacation or abandonment of the Leased Property by the Lessee after initial occupancy; or

(d) The filing of a petition by or against Lessee for adjudication as a bankrupt or insolvent or for its reorganization or for the appointment pursuant to any local, state or federal bankruptcy or insolvency law of a receiver or trustee of Lessee's property; or an assignment by Lessee for the benefit of creditors; or the taking possession of the property of Lessee by any local, state or federal governmental officer or agency or court-appointed official for the dissolution or liquidation of Lessee or for the operating, either temporarily or permanently, of Lessee's business, provided,
however, that if any such action is commenced against Lessee, the same shall not constitute a default if Lessee causes the same to be dismissed within sixty (60) days after the filing of same; or

(e) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in (a) or (b), for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied shall be given to the Lessee by Trustee, unless Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; or

The foregoing provisions of this Section 14.1 are subject to the following limitations: (i) the Lessee shall be obligated to pay the Base Rentals and Additional Rents only during the Lease Term, except as otherwise expressly provided in this Lease; (ii) if, by reason of force majeure, the Lessee shall be unable in whole or in part to carry out any agreement on its part herein contained, other than the obligations on the part of the Lessee contained in Article VI of this Lease, the Lessee shall not be deemed in default during the continuance of such inability. The Lessee agrees, however, to remedy, as promptly as legally and reasonably possible, the cause or causes preventing the Lessee from carrying out its agreement; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Lessee.

Section 14.2 Remedies on Default. Whenever any Event of Default referred to in Section 14.1 of this Lease shall have happened and be continuing, Trustee may terminate the Lease Term and may give notice to the Lessee to surrender possession of the Leased Property within 15 days from the date of such notice. After the occurrence of an Event of Default, so long as any Bonds remain Outstanding, the Trustee may, without any further demand or notice, foreclose through the courts on the Leased Property, and exercise all the rights and remedies of a secured party under the Florida Uniform Commercial Code with respect to the Equipment, or take one or any combination of the following additional remedial steps:

(a) The Trustee or the Lessor may cure for the account of Lessee any default of Lessee and immediately recover as additional rent but solely from Charter Revenues and Additional Revenues any expenditures made, including reasonable attorney's fees and costs of suit and the amount of any obligations incurred in connection therewith, plus interest at the Default Rate, as defined in the Indenture, from the date of any such expenditure;

(b) In determining the amount of any payment due to Lessor on account of operation and maintenance costs, Lessor shall make such determination based upon the budget for operation and maintenance costs for the Leased Property that are subject to this Lease for the year during which such default occurs;

(c) The Trustee, at its option, may serve notice upon Lessee that this Lease and the then unexpired term hereof shall cease and expire and become absolutely void on the date
specified in such notice, without any right on the part of Lessee to save the forfeiture by payment of any sum and, thereupon and at the expiration of the time limit of such notice, this Lease and the term hereof granted, as well as the right, title and interest of Lessee hereunder, shall wholly cease and expire and become void in the same manner and with the same force and effect (except as to Lessee's liability, and then only to the extent of Charter Revenues and Additional Revenue) as if the date fixed in such notice were the date herein established for expiration of the term of the Lease. Thereupon, Lessee shall immediately quit and surrender to Lessor or Trustee, at Trustee's election, the Leased Property, and Lessor or Trustee, as the case may be, may enter into and repossess the Leased Property by summary proceedings, detainer, ejectment or otherwise, and remove all occupants thereof and property therein;

(d) Trustee or Lessor with Trustee's consent may, at any time after the occurrence of any event of default, re-enter and repossess the Leased Property and any part thereof and attempt in its own name, as agent for Lessee if the Lease not be terminated or on its own behalf if the Lease be terminated, to relet all or any part of such Leased Property for and upon such terms and to such person, firms or corporations and for such period or periods as Trustee, in its sole discretion, shall determine, including the term beyond the termination of this Lease; and Trustee shall not be required to accept any lessee offered by Lessee or observe any instruction given by Lessee about such re-letting. Trustee and Lessor must use their best efforts to mitigate damages in connection with any re-letting. For the purpose of such re-letting, Trustee and Lessor may decorate or make repairs, changes, alterations or additions in or to the Leased Property to the extent deemed desirable or convenient by them and the cost of such decoration, repairs, changes, alterations or additions, as well as any reasonable brokerage and legal fees expended in connection therewith shall be charged to and be payable by Lessee as Additional Rent hereunder, but solely from Charter Revenues and Additional Revenues and any sums collected by Lessor from any new lessee obtained on account of Lessee shall be credited against the balance of rent due hereunder as aforesaid. Lessee shall pay to Lessor monthly on the days when the rent would have been payable under this Lease, the amount due hereunder, less the amount obtained by Lessor from such new lessee;

(e) Trustee shall have the right of injunction or mandamus, in the event of a breach by Lessee of any of the agreements, conditions, covenants or terms hereof to restrain the same and the right to invoke any remedy allowed by law or in equity, whether or not other remedies, indemnity or reimbursements are herein provided. The rights and remedies given to Trustee and Lessor in this Lease are distinct, separate and cumulative remedies and any one of them, whether or not exercised by Trustee or Lessor, shall be deemed to be in exclusion of any of the others;

(f) In the event that the Trustee or Lessor takes action to collect unpaid amounts owed by Lessee (whether accelerated or otherwise) or to re-gain possession of the Leased Property (whether by eviction proceedings or otherwise), all expenses incurred by the Trustee and Lessor (including, but not limited to reasonable attorney's fees) shall be additional rent immediately payable by Lessee to Lessor but solely from Charter Revenues and Additional Revenue.
Section 14.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to Trustee or Lessor is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, and the same may be exercised from time to time and as often as may be deemed expedient. In order to entitle Trustee or Lessor to exercise any remedy reserved in this Article XIV, it shall not be necessary to give any notice, other than such notice as may be required in this Article XIV.

Section 14.4 Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

In view of the assignment of the rights of the Lessor under this Lease to Trustee pursuant to the Loan Documents, the Lessor shall have no right to waive any Event of Default hereunder without the consent of Trustee; and the waiver of any Event of Default hereunder by Trustee shall constitute a waiver of such Event of Default by the Lessor, without the necessity of any action of or consent by the Lessor. A waiver of an Event of Default under the Loan Documents shall constitute a waiver of the corresponding Event of Default under this Lease; provided that no such waiver shall extend to or affect any subsequent or other Event of Default under this Lease or impair any right consequent thereon.

Section 14.5 Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto shall default under any of the provisions hereof and the nondefaulting party shall employ attorneys or incur other expenses for the collection of Base Rentals, Additional Rents or Capital Contribution, or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it shall pay on demand therefor to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party, to the extent that such attorneys' fees and expenses may be determined to be reasonable by a court of competent jurisdiction.

Section 14.6 Waiver of Appraisement, Valuation, Stay, Extension and Redemption Laws. The Lessor and the Lessee agree, to the extent permitted by law, that in the case of a termination of the Lease Term by reason of an Event of Default, neither the Lessor nor the Lessee nor any one claiming through or under either of them shall or will set up claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereafter in force in order to prevent or hinder the enforcement of the Loan Documents; and the Lessor and the Lessee, for themselves and all who may at any time claim through or under either of them, each hereby waives, to the full extent that it may lawfully do so, the benefit of all such laws.
ARTICLE XV

MISCELLANEOUS

Section 15.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

To Lessor:

Patriot Charter School, LLC
6245 North Federal Highway, 5th Floor
Fort Lauderdale, Florida 33308
Attention: Jonathan K. Hage, President
Facsimile: (954) 202-2047

With a copy to:

Charter Schools USA
6245 North Federal Highway, 5th Floor
Fort Lauderdale, Florida 33308
Attention: Jonathan K. Hage, President
Facsimile: (954) 202-2047

With a copy to:

Tripp Scott, P.A.
110 S.E. Sixth Street, 15th Floor
Fort Lauderdale, Florida 33301
Attention: Ed J. Pozzuoli, Esq.
Facsimile: (954) 761-8475

To Lessee at:

City of Palm Bay, Florida
120 Malabar Road
Palm Bay, Florida 32907
Attention: City Manager
Facsimile: (321) 952-3412
Section 15.2 Binding Effect. This Lease shall inure to the benefit of and shall be
binding upon the Lessor and the Lessee and their respective successors and assigns, subject,
however, to the limitations contained in Article XIII of this Lease.

Section 15.3 Amendments, Changes and Modifications. Except as otherwise
provided in this Lease, this Lease may not be effectively amended, changed, modified or altered
without the written consent of Trustee.

Section 15.4 Net Lease. This Lease shall be deemed and construed to be a "net lease,"
and the Lessee shall pay absolutely net during the Lease Term, the Base Rentals, Additional
Rents and all other payments required hereunder, free of any deductions, and without abatement,
deduction or setoff (other than credits against Base Rentals expressly provided for in this Lease);
provided that the obligations of the Lessee are limited to the extent that Charter Revenues and
Additional Revenues are received from the School Board.

Section 15.5 Payments Due on Holidays. If the date for making any payment or the
last day for performance of any act or the exercising of any right, as provided in this Lease, shall
be a legal holiday or a day on which banking institutions in the city in which the principal
corporate trust office of Trustee is located are authorized by law to remain closed, such payment
may be made or act performed or right exercised on the next succeeding day that is not a legal
holiday or a day on which such banking institutions are not authorized by law to remain closed
with the same force and effect as if done on the nominal date provided in this Lease.

Section 15.6 Severability. In the event that any provisions of this Lease, other than the
requirement of the Lessee to pay Base Rentals and Additional Rent and the requirement of the
Lessor to provide quiet enjoyment of the Leased Property and to convey the Leased Property to
the Lessee under the conditions set forth in Article XII of this Lease, shall be held invalid or
unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render
unenforceable any other provisions hereof.

Section 15.7 Execution in Counterparts. This Lease may be simultaneously executed
in several counterparts, each of which shall be an original and all of which shall constitute but
one and the same instrument.

Section 15.8 Applicable Law. This Lease shall be governed by and construed in
accordance with the laws of the State.
Section 15.9  Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.
IN WITNESS WHEREOF, the Lessor has executed this Lease in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers; and the Lessee has caused this Lease to be executed in its corporate name and the seal of the Lessee affixed and attested by duly authorized officers thereof. All of the above are effective as of the date first above written.

LESSOR:

Patriot Charter School, LLC
a Florida limited liability company

By: The Lee Charter Foundation, Inc., a Florida nonprofit corporation

By: ________________________________
Kenneth Haiko, Chairman

Date: ______________________________

WITNESSES:

LESSEE:

City of Palm Bay, Florida

By: ________________________________
Name: ______________________________
Title: ______________________________

By: ________________________________
John J. Mazziotti, Mayor

Date: ______________________________
IN WITNESS WHEREOF, the Lessor has executed this Lease in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers; and the Lessee has caused this Lease to be executed in its corporate name and the seal of the Lessee affixed and attested by duly authorized officers thereof. All of the above are effective as of the date first above written.

LESSOR:

PATRIOT CHARTER SCHOOL, LLC
a Florida limited liability company

By: The Lee Charter Foundation, Inc., a Florida nonprofit corporation

By: ________________
   Kenneth Haiko, Chairman

Date: __________________________
WITNESSES:  
By: __________________________
Name: ________________________
Title: _________________________

LESSEE:  
CITY OF PALM BAY, FLORIDA  
By: __________________________
    John J. Mazziotti, Mayor
Date: __________________________
STATE OF FLORIDA

COUNTY OF

The foregoing instrument was acknowledged before me as of the ____ day of _____, 2006, by Kenneth Haiko, as Chairman, and by ______________, as _____________, of The Lee Charter Foundation, Inc., a Florida corporation, as manager of Patriot Charter School, LLC, a Florida limited liability company.

WITNESS my hand and official seal.

[SEAL]

Notary Public

My commission expires: ____________________________
STATE OF FLORIDA )
COUNTY OF ) ss.

The foregoing instrument was acknowledged before me as of the _____ day of ______, 2006, by ______________, as _____________, and by John J. Mazziotti, as Mayor, of the City of Palm Bay, Florida.

WITNESS my hand and official seal.

[SEAL]

Notary Public

My commission expires: ______________________________
EXHIBIT A

LEASED PROPERTY AND BUILDING (DESCRIPTION)
EXHIBIT B

BUILDING STANDARDS & SPECIFICATIONS

School building and construction shall adhere to all applicable Florida State and Local Codes, Ordinances, and Requirements. A complete 'Specifications Book' and Related Documents for Construction shall be presented to Charter Schools USA, Inc. ("CSUSA") for approval.

Required Documentation shall include but not be limited to:

- Building Plans in electronic format and hard copy.
- Specifications Book
- Shop Drawings.
- Product Data.
- Samples.
- Quality Inspection Reports.
- Warranties.
- Project Record Documents.
- Operations Manuals for systems, subsystems, and equipment.
  - Maintenance Manuals for procedures, care, and service schedules of systems and equipment.

The project 'Specifications Book' shall include construction products and requirements, interior finishes specifications, systems requirements, and site specifications. All construction will adhere to the products, provisions and specifications as provided for in the 'Specifications Book' without exception. Deviations and substitutions will not be permitted unless provided for in writing by an Officer or Director of Charter Schools USA.

The Lessor will deliver a complete School, in accordance with the lease documents, building plans and specifications, all applicable building codes, and all normal standards of the industry. Furthermore, the Lessor will commence work, proceed diligently and complete his scope of work in accordance with a schedule satisfactory to and in the sequence of construction as directed by CSUSA. The Lessor will be responsible for passing any applicable and required building inspections and will provide an appropriate representative at the time of inspection.

CSUSA shall specify and designate design criteria jurisdiction over the Architectural design and installation of specific aspects of the School Construction. In addition to the agreed upon design specifications and architectural design, it shall be the intent of CSUSA for the delivered "Turn-Key" facility to include the following:

- Low Voltage Requirements
- Voice and Data Wiring
- Clock & Bell (Intercom)
• Audio Visual Cabling for each instructional room and designate administrative offices.
• Security System
• Fire System
  • Interior and Exterior floor, wall and window covering colors and materials.
• Playground equipment and site design for Athletic accommodations.
• Energy Management
• Interior/Exterior School Signage
• Up-to Three (3) Flagpoles. (if design permits)

Specifications will be provided for these requirements. Every effort will be made by the Lessor to provide for an "Integrated System" including HVAC and Electrical integration for optimizing the Energy Management potential of the completed building.

The Lessor shall designate a representative to meet regularly with CSUSA, provide written updates, reports, schedules, and shall coordinate all delivery and installation activities, conduct Quality Inspections of work completed, and Safety Inspections.

Quality Inspections shall be completed after each phase of work is completed. The Lessor shall inspect the work of his employees, contractors and subcontractors to determine the completeness, accuracy, and quality. The Lessor will take any and all measures necessary to correct any work found by CSUSA to be incomplete, incorrect, or of sub-standard quality with the utmost urgency.

The Lessor shall be responsible for the monitoring of all applicable state and local contractor licensing, workers compensation and liability insurance, documentation, and OSHA compliance of all Contractors, Sub-contractors, Suppliers, and Vendors.

Time is critical in the opening of a School with little or no flexibility for construction delays. The Lessor shall notify CSUSA of the construction progress by a construction schedule, updated on a weekly basis. The Lessor acknowledges herein sole responsibility to monitor the progress of construction necessary to coordinate work on the appropriate scheduled dates. The Lessor shall be in a position to coordinate Contractor's, Subcontractor's, and Vendor's installations and/or manufacturing processes to ensure construction schedules are maintained at all times. Should the critical path for obtaining the C.O. be compromised, any and all costs associated with corrective actions necessary to maintain the original project schedule shall be the sole responsibility of the Lessor.

The Lessor agrees to correct work which is determined by CSUSA, or the Building Inspector's, to be deficient in terms of installation or materials within twenty-four hours (24) of notification.

The Lessor shall be responsible for obtaining all approvals required by local Building Departments including permits and inspections. The Lessor shall meet with plan reviewers or Building Department personnel to clarify plans, Product Control Approval and specifications
required to obtain building permits, and inspections if required or requested. The Lessor agrees to meet all requirements, and qualifications required of local Building Departments, Municipalities, Counties, or agencies in order to complete the installation and/or manufacturing process. The Lessor shall meet with the Building Department inspector on site for the required inspection and shall provide the appropriate documentation including Product Control Approvals, Engineering Letters, Rational Analysis, Comparable Analysis and any other pertinent documentation required.

Upon completion of Building Construction the Lessor will complete the following:

- Instruction – instruct CSUSA, School Personnel and/or designated Vendor's to adjust, operate, and maintain systems, subsystems, and equipment.
- Provide a list all applicable Maintenance Company's for HVAC, Plumbing, Electrical, Security, etc. and complete contact information.
- Final Cleaning
- provide professional cleaning of school, site, yard, grounds, and landscaping areas.
- remove all rubbish, litter, dirt, stains, and spills, rake grounds, remove all construction debris and surplus construction materials.
- Clean all exposed exterior and interior surfaces, including floors, windows, HVAC, plumbing, and electrical fixtures to a dirt-free, film-free, polished condition.
- Pest Control - Provide a licensed Exterminator to make a final inspection and service call to rid school of all insects, rodents, and pests, provide report.

Provide Emergency Exit Drawings in Electronic format and Hard Copy installed in every room per Florida State Fire Codes.

- Provide street signs and flashers if required for "school zone" in compliance with Florida State DOT and local Zoning requirements, to include all obligations considered applicable by the Traffic Engineering Department having jurisdiction.
EXHIBIT C
RULES AND REGULATIONS

1. Lessee shall not obstruct or permits its employees, agents, servants, invitees or licensees to obstruct in any way the sidewalks or entries, or bring in, store, test or use any materials in the Leased Property which would cause a fire or explosion or produce any fumes or vapors; make or permit any improper noises in the Leased Property; throw substances of any kind out of the windows or doors of the Leased Property or sit on or place anything upon the window sills.

2. Water closets and urinals shall not be used for any purpose other than those for which they were constructed, and no sweeping, rubbish, ashes, newspapers or any other substances of any kind shall be thrown into them. Waste and excessive or unusual use of water is prohibited.

3. NO SIGNS, ADVERTISEMENTS OR NOTICES SHALL BE INSCRIBED, PAINTED, AFFIXED OR DISPLAYED IN, ON, UPON OR BEHIND ANY WINDOWS, except as may be required by law or agreed upon the by parties, and no signs, advertisements or notes shall be inscribed, painted or affixed on any doors, partitions or other parts of the inside of the Leased Property without prior written consent of Lessor.

4. When electric wiring of any kind is introduced, it must be connected as directed by Lessor, and no stringing or cutting of wires will be allowed, except with prior written consent of Lessor and shall be done only by contractors approved by Lessor.

5. Lessor shall have the right to restrict the weight and position of heavy equipment or fixtures brought into the Leased Property by any Lessee which, in Lessor's opinion, is beyond the weight capacity of the floor slab. Lessor will not be responsible for loss of or to any such equipment from any cause, but all damage done to the Leased Property by moving or maintaining any such equipment shall be repaired at the expense of Lessee.

6. Lessee shall not, without the prior consent of the Lessor, mark, paint, drill into, bore, cut, or in any way deface any part of the Leased Property or Building of which they form a part, except for reasonable hanging of decorative or instructional materials on the walls.

7. The Leased Property shall not be used for lodging or sleeping purposes.

8. No awnings or other projections shall be attached to the outside walls of the Leased Property.

9. In the event Lessee shall use or store any hazardous material Lessee shall, within five (5) days of such use or storage, notify Lessor by written affidavit of such newly used or stored hazardous material.
10. Canvassing, soliciting and peddling in the Building are prohibited and Lessee shall cooperate to prevent same.

11. Each Lessee, before closing and leaving the Leased Property, shall insure that all entrance doors are locked.

12. Lessor hereby reserves to itself any and all rights not granted to Lessee hereunder, including, but not limited to, the following rights which are reserved to Lessor for its purposes in operating the Building:

(a) The exclusive right to use the name of the Leased Property for all purposes, except that Lessee may use the name Patriot Charter School for its business address and for no other purpose.

(b) The right to change the name or address of the Building without incurring any liability to Lessee for doing so.

(c) The right to install and maintain a sign or signs on the exterior of the Building.

13. Lessee shall not use the Leased Property or permit the Leased Property to be used for the sale of food or beverages, with the exception of vending machines.

14. The Lessee shall not do or permit to be done anything which obstructs or interferes with the rights of any other lessee of the Building. The Lessee shall not keep anywhere within the Leased Property any matter having an offensive odor or any kerosene, gasoline, benzene, camphene, fuel or other explosives or highly flammable material. No birds, fish or other animals shall be brought into or kept in or about the Leased Property unless for the educational purposes at the school.

15. The Lessee shall have access to the Leased Property at all reasonable times. The Lessor shall in no event be responsible for admitting or excluding any persons from the Leased Property. In case of invasion, hostile attack, insurrection, mob violence, riot, public excitement, commotion, explosion, fire or any other casualty, the Lessor shall have the right to bar or limit access to the Building to protect the safety of occupants of the property or any property within the property.

16. The Lessor shall have the right to rescind, suspend or modify the Rules and Regulations and to promulgate such other rules and regulations as, in the Lessor's reasonable judgment, are from time to time needed for the safety, care, maintenance, operation and cleanliness of the Building, or for the preservation of good order therein. Upon the Lessee having been given notice of the taking of any such actions, the Rules and Regulations as so rescinded, suspended, modified or promulgated shall have the same force and effect as if in effect at the time at which the Lessee's Lease was entered into (except that nothing in the Rules and Regulations shall be deemed in any way to alter or impair any provision of the Lease).
EXHIBIT D

CONSTRUCTION TIMETABLE

1. The parties shall agree to a construction timetable and milestones in the form of a project timetable and GNATT chart which shall mutually executed and incorporated by reference. The parties further agree that this project timetable, with the exception of the receipt final certificate of occupancy from the appropriate issuing authority, shall serve as a general reference for construction and shall be mutually adjusted as necessary and noticed by each party.

2. In no event shall the receipt of final certificate of occupancy from the appropriate issuing authority be later than July 1, 2006, unless extended by the parties with the written approval of the Brevard County School District and the Trustee ("Extended Date").

3. Lessor reserves the right to incur reasonable expenses (reimbursable by the Lessee) for overtime and additional equipment ("Required Expense") to complete the construction by July 1, 2006 provided that Lessor shall notify Lessee in writing prior to incurring such expenses. Recovery by Lessor of such expenses shall be prorated and amortized over the term of the lease with pro-rata payments being due and delivered with the amounts of the monthly rent payment.

4. In the event certificate of occupancy is not available by July 1, 2006 or such Extended Date and student enrollment is directly reduced as a result, the following pro-rata monthly rent schedule shall apply for the first year:

   Eight hundred fifty dollars and no cents ($850.00) per enrolled student up to 695 students. Divided by Twelve (12) months.

   Such schedule shall be adjusted on a monthly basis during the term of the first year of the lease. On the first of each month Lessee shall provide Lessor with a report of currently enrolled students which will serve as the basis for calculation of rent due for the current month.

   As an example in the event due to a delay in certificate of occupancy results in only 400 students enrolled the rent for the first month would be as follows:

   \[
   400 \times 850 = 340,000 / 12 \text{ months} = 28,333.33
   \]

   At the end of the first year the Deferred Base Rental, which shall be defined as the difference between $590,937 and the actual rent paid, shall be paid over the following four years in equal monthly installment, at 6% interest, in addition to any other rent due hereunder.

5. Upon delivery of certificate of occupancy from the appropriate issuing authority by and not later than July 1, 2006 or such Extended Date for the Leased Property the provisions 3 and 4 above shall not apply.
## EXHIBIT F

**BASE RENTAL SCHEDULE**

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<tr>
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Appendix H
SECTION 1. INTRODUCTION

The firm of PMG Associates, Inc. (PMGA) of Deerfield Beach, Florida was retained by the City of Palm Bay to conduct an analysis of the demand for a Charter School to be located within the municipal limits of the City of Palm Bay, Florida. Demand is identified as measuring the number of school age children that exceed the current number of student stations in the Study Area. In addition, the Applicant Pool for registration at the new Charter School will also be identified.

The Charter School under consideration is identified as the Patriot Charter School located at 1350 Wyoming Drive, SE in the City of Palm Bay, Florida. The facility will provide education for students including grades Kindergarten through 8th.

SECTION 2. DEMOGRAPHICS

Evaluation of the City of Palm Bay and Brevard County School Board Documents

Examination of the city documents shows various short reports on subjects such as; “Profile of Palm Bay”, “2003 Population and Building Report”, and “Population Growth 1980-2003.” The sources for these papers are the US Census-Year 2000, the Planning Division of the City of Palm Bay, the Bureau of Economic and Business Research at the University of Florida and the Brevard County School Board.

School Board Report

In September 2005, administrators in the Brevard County School District (which includes the City of Palm Bay) prepared a Capacity Report (the “District Report”) in connection with charter school applications being considered by the School District. The District Report was prepared to compare (i) projected student population in the City of Palm Bay for the 2009-2010 school year, and (ii) projected “student stations” available for that year.

The District Report concluded that the Brevard County Public Schools will have an estimated student population of 19,848 in the 2005-10 school year in the City of Palm Bay, and 23,427 available student stations. The District Report also stated that if all charter schools presently existing and those proposed to be built were included, the capacity would increase to 30,781 student stations.

The basic principle of the Brevard County School Board in measuring demand for student stations for Palm Bay residents is to use County-wide data to make projections. The 2000 Census is the basis for the analysis, which determines that 0.35 school age children are generated from each household in the County.
The School Board also produced an analysis that measured supply and demand for student stations. The supply portion of the equation included all student stations in schools attended by Palm Bay students, even though the boundaries of these schools extended outside of the municipal limits. The demand side of the equation only included students living within the municipal limits.

The School Board analysis included a list of schools that reportedly serves the City of Palm Bay. The report noted the enrollment of these schools and the amount of capacity remaining. The description and analysis leads to a conclusion that there would be surplus stations through the year 2010.

PMGA Analysis

Two sources were examined to identify the actual distribution of school age children in the Palm Bay area; Census data and Claritas, a nationally recognized source of demographic data. The Claritas data was obtained to update the Census information, which is now over five years old. In both data sets, the characteristics of the population for the Palm Bay area are significantly different than the county-wide averages. The amount of school age children and number of family units are much higher in Palm Bay. The result of this demographic shift is a much higher demand for schools.

The first review addresses the total population for the City of Palm Bay. Population estimates for this analysis were based primarily on information contained in planning documents submitted by the City of Palm Bay. The population was contained in Amendments to the City’s Comprehensive Plan that were submitted to the State of Florida Department of Community Affairs (DCA), the designated regulatory agency for planning and growth matters in the State. The population figures for the City of Palm Bay were approved by DCA along with the Amendments in January 2005. This data was verified using information from Claritas. The following are the total population figures for the City of Palm Bay for the two analyses years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>95,007</td>
</tr>
<tr>
<td>2010</td>
<td>118,423</td>
</tr>
</tbody>
</table>

The second issue regarding the population and translation into the number of school age children is found in the assumption of students per household. Information from Claritas for the Palm Bay area reveals that 20.82% of the population is of school age. Therefore, the number of students generated per households is 0.59. The figure of 20.82% of the population as school age children generates the following school demand from Palm Bay.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>19,780</td>
</tr>
<tr>
<td>2010</td>
<td>24,656</td>
</tr>
</tbody>
</table>
Other factors that establish the difference of the City of Palm Bay and Brevard County regarding the demographics are as follows:

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Palm Bay</th>
<th>Brevard County</th>
</tr>
</thead>
<tbody>
<tr>
<td>School age children as a percent of population</td>
<td>20.82</td>
<td>16.19</td>
</tr>
<tr>
<td>Median age</td>
<td>37.56</td>
<td>42.64</td>
</tr>
<tr>
<td>Household size</td>
<td>2.57</td>
<td>2.33</td>
</tr>
</tbody>
</table>

SECTION 3. CITY OF PALM BAY DEMAND

Current Number of Student Stations

Examination of the existing school facilities that serve the students from Palm Bay reveals that many of the schools serve a significant population outside of the City of Palm Bay. Using demographic data, adjustments were made to the school population to account for the boundaries of the City of Palm Bay and the results are found in Table 1. This analysis reveals that one-third of the student enrollment for these schools are non-Palm Bay residents.

### TABLE 1
CALCULATION OF PUBLIC SCHOOL POPULATION FROM PALM BAY

<table>
<thead>
<tr>
<th>School</th>
<th>School Board count</th>
<th>Palm Bay students</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elementary Schools</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Columbia</td>
<td>620</td>
<td>545</td>
</tr>
<tr>
<td>Discovery</td>
<td>965</td>
<td>714</td>
</tr>
<tr>
<td>Jupiter</td>
<td>791</td>
<td>791</td>
</tr>
<tr>
<td>Lockmar</td>
<td>759</td>
<td>759</td>
</tr>
<tr>
<td>McAuliffe</td>
<td>878</td>
<td>878</td>
</tr>
<tr>
<td>Palm Bay</td>
<td>689</td>
<td>689</td>
</tr>
<tr>
<td>Port Malabar</td>
<td>773</td>
<td>239</td>
</tr>
<tr>
<td>Riviera</td>
<td>631</td>
<td>559</td>
</tr>
<tr>
<td>Turner</td>
<td>745</td>
<td>601</td>
</tr>
<tr>
<td>Westside</td>
<td>1,245</td>
<td>747</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>8,096</td>
<td>6,522</td>
</tr>
<tr>
<td><strong>Secondary Schools</strong></td>
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<td></td>
</tr>
<tr>
<td>Central</td>
<td>1,234</td>
<td>247</td>
</tr>
<tr>
<td>Southwest</td>
<td>1,439</td>
<td>1,121</td>
</tr>
<tr>
<td>Stone</td>
<td>726</td>
<td>420</td>
</tr>
<tr>
<td>Bayside</td>
<td>2,380</td>
<td>2,017</td>
</tr>
<tr>
<td>Melbourne</td>
<td>2,291</td>
<td>273</td>
</tr>
<tr>
<td>Palm Bay</td>
<td>2,621</td>
<td>1,930</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>10,691</td>
<td>6,008</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>18,787</td>
<td>12,530</td>
</tr>
</tbody>
</table>

Source: Brevard County School Board; Claritas; PMG Associates, Inc.
Calculation of Demand

The demand for additional student stations can be identified by subtracting the current number of stations available from the number of children in Palm Bay. The analysis also included the existing Private schools in the City and their capacity and the enrollment at the Charter Schools located in Palm Bay.

### TABLE 2
**ADDITIONAL LOCAL STUDENT STATION DEMAND 2005**

<table>
<thead>
<tr>
<th>School Age population</th>
<th>19,780</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public School stations for Palm Bay Children</td>
<td>12,530</td>
</tr>
<tr>
<td>Private School Capacity</td>
<td>1,900</td>
</tr>
<tr>
<td>Charter School Enrollment In Palm Bay</td>
<td>1,425</td>
</tr>
<tr>
<td>Students attending school outside of the City</td>
<td>3,925</td>
</tr>
</tbody>
</table>

### TABLE 3
**ADDITIONAL LOCAL STUDENT STATION DEMAND 2010**

<table>
<thead>
<tr>
<th>School Age population</th>
<th>24,656</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public School stations for Palm Bay Children</td>
<td>12,530</td>
</tr>
<tr>
<td>Private School Capacity</td>
<td>1,900</td>
</tr>
<tr>
<td>Charter School Enrollment In Palm Bay</td>
<td>1,425</td>
</tr>
<tr>
<td>Planned School Board stations for Palm Bay Children</td>
<td>2,646</td>
</tr>
<tr>
<td>Students attending school outside of the City</td>
<td>6,155</td>
</tr>
</tbody>
</table>

The calculations found in Table 2 shows that currently there are 3,925 students that attend school outside of the City of Palm Bay. Although the full capacity of the Private School facilities was used in this analysis, this figure may not truly represent the attendance of students from Palm Bay. It is not known what percentage of the private school enrollment is from Palm Bay, and it is likely that some of the students are from outside the municipal boundaries. For the sake of being conservative, the entire capacity is counted in this analysis regardless of actual enrollment and the residence of the students.

Moving to the future, the demand for stations increases dramatically with the rise in population. Table 3 measures the impact of the population growth. In addition, planned construction of new school facilities is included. This data was obtained from the School Board and reflects the current proposals. In the year 2010, there will be a total of 6,155 students attending school outside of the municipal limits.
SECTION 4. REGIONAL ANALYSIS

The measurement of demand for additional student stations in the City of Palm Bay was
directed to determine the impact on the City itself. As the sponsor of the new Charter School,
it is important to illustrate the motivation of the City.

For further analysis, the boundaries will be modified. Typically in demand analysis, a radius is
selected to measure the potential customers. This method is appropriate for the analysis of the
Charter School in Palm Bay as well. The Charter School will not be limited to students living
within the borders of the City. Under State law, all students within Brevard County are eligible
for attendance. Therefore, the service area for the Charter School extends beyond the municipal
limits.

Several service radii were selected for analysis. The population within that radius is matched
against the supply within that same boundary. For this study areas were determined by drawing
radii from the proposed City Charter School site to a mile marker of 2, 5, 7 and 10 miles and then
a polygon was also drawn to the specifications given the consultant.

The reason that a polygon was included is that generally, the market area for any activity is
defined by natural or other boundaries around an area that would likely produce the customer
base. For the Patriot Charter School, the facility will serve the southern portion of the City of
Palm Bay. The recent growth in the area, as well as the expected future growth is in the southern
portion of Palm Bay and the areas that abut this area. Due to the concentration of school
facilities in the northern portion of Palm Bay and West Melbourne, the polygon had a northern
boundary that excluded these communities. The polygon used in this analysis has boundaries of
Malabar Road on the north, the Intracoastal Waterway on the East, the County line on the south
and the city municipal boundaries on the west.

Deficits and Time Frames

As can be seen in Table 4 entitled “School Age Children Between Ages 5-14 At Various
Distances From The Proposed Charter School” there are deficits during the two study periods
that have been outlined in this study.

The total demand of students (K-8) for each area, during each time frame (2005 and 2010) were
examined against the number of student stations and enrollment. The deficits in both stations
and enrollment are outlined in Table 4.
TABLE 4
SCHOOL AGE CHILDREN BETWEEN AGES 5-14 AT VARIOUS DISTANCES FROM THE PROPOSED CHARTER SCHOOL

<table>
<thead>
<tr>
<th>Population</th>
<th>City Year</th>
<th>2 Mile Radius</th>
<th>5 Mile Radius</th>
<th>7 Mile Radius</th>
<th>10 Mile Radius</th>
<th>Polygon Radius</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>95,007</td>
<td>11,590</td>
<td>52,349</td>
<td>100,607</td>
<td>169,941</td>
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<tr>
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<td>2010</td>
<td>118,243</td>
<td>15,483</td>
<td>66,092</td>
<td>126,013</td>
<td>211,895</td>
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</table>

<table>
<thead>
<tr>
<th>Percentage of Children</th>
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<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5 to 9</td>
<td>2005</td>
<td>6.50%</td>
<td>7.04%</td>
<td>6.43%</td>
<td>6.17%</td>
<td>5.55%</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>7.89%</td>
<td>8.31%</td>
<td>7.75%</td>
<td>7.24%</td>
<td>6.47%</td>
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</table>

<table>
<thead>
<tr>
<th>Number of Children 2005</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5 to 9</td>
<td>2005</td>
<td>6,175</td>
<td>816</td>
<td>3,366</td>
<td>6,207</td>
<td>9,432</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>7,496</td>
<td>963</td>
<td>4,057</td>
<td>7,284</td>
<td>10,995</td>
</tr>
</tbody>
</table>

| TOTAL K-8 Demand 2005 | 13,672     | 1,779         | 7,423         | 13,491        | 20,427         | 15,033         |

<table>
<thead>
<tr>
<th>Number of Children 2010</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5 to 9</td>
<td>2010</td>
<td>7,686</td>
<td>1,090</td>
<td>4,250</td>
<td>7,775</td>
<td>11,760</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>9,329</td>
<td>1,287</td>
<td>5,122</td>
<td>9,123</td>
<td>13,710</td>
</tr>
</tbody>
</table>

| TOTAL K-8 Demand 2010 | 17,015     | 2,377         | 9,372         | 16,898        | 25,470         | 18,670         |

<table>
<thead>
<tr>
<th>School Capacity</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Stations</td>
<td>2005</td>
<td>11,177</td>
<td>1,003</td>
<td>6,995</td>
<td>11,161</td>
<td>17,944</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>11,244</td>
<td>875</td>
<td>7,349</td>
<td>10,886</td>
<td>16,700</td>
</tr>
</tbody>
</table>

| Enrollment      | 2005       | 11,177        | 1,003         | 6,995         | 11,161         | 17,944         |
|                 | 2010       | 11,244        | 875           | 7,349         | 10,886         | 16,700         |

| Deficit 2005    |            |               |               |               |                |                |
| Stations        | 2005       | 2,495         | 776           | 428           | 2,330          | 2,483          |
|                 | 2010       | 2,428         | 904           | 74            | 2,605          | 3,727          |

| Enrollment      | 2005       | 2,495         | 776           | 428           | 2,330          | 2,483          |
|                 | 2010       | 2,428         | 904           | 74            | 2,605          | 3,727          |

| Deficit 2010    |            |               |               |               |                |                |
| Stations        | 2010       | 5,838         | 1,502         | 2,023         | 6,012          | 8,770          |
|                 | 2010       | 5,771         | 1,374         | 2,377         | 5,737          | 7,526          |

| Enrollment      | 2005       | 5,838         | 1,502         | 2,023         | 6,012          | 8,770          |
|                 | 2010       | 5,771         | 1,374         | 2,377         | 5,737          | 7,526          |
SECTION 5. APPLICANT POOL – REGIONAL ANALYSIS

The Applicant Pool refers to the number of students that would form the group of children that would likely attend the new Charter School. Although it is likely that students who currently hold seats in an existing Public or Private School may also attend, the demand for this analysis will only include those that are not served by the traditional school setting within their community.

The Applicant Pool will include four groups of students:

- Measurement of the current penetration of Charter Schools serving the school age population
- Students attending school outside the area
- Students enrolled above current capacity
- Student stations in portables

Calculation of Charter School Penetration

PMGA was requested to calculate the penetration of Charter Schools into the pool of students. At present, 1,425 students are enrolled in charter schools located in the City of Palm Bay based on reports from the facilities. Although the addresses of these students are not available, it is estimated that the students live within a five mile radius of the school. However, for this analysis, a seven mile radius will be used to offer consistency with other analyses. This penetration translates into 13.09% of the children in the age group under consideration (5-14).

Construction of New School Facilities

When examining the demand for the future, new construction of facilities must be considered. Information from the School Boards revealed the planned facilities that impact the area. There are three facilities that are identified that are included:

- School “S”, an elementary school with 990 student stations
- School “T”, an elementary school with 940 student stations
- School “DD”, a middle school with 1,186 student stations

Further examination determines that all of these schools and stations may not be available, particularly in the time frames required. The “Brevard Public Schools Proposed Project List FY 2006 through FY 2012 Facility Improvement Plan” lists the proposed projects. The information stated is:

- School “S”: Site selection required, planned construction of Phase I to start in August 2006 and be completed in July 2007. The second phase is contingent upon enrollment in Phase I. The current projected time frame is to start in August of 2008 and complete the construction in July 2009.
• School “T”: is dependant of the donation of land from a developer. The current projected
time frame is to start in August of 2006 and complete the construction in July 2007.
• School “DD”: The design has not been completed. The current projected time frame is to
start in August of 2006 and complete the construction in July 2008.

These construction plans are not firm, at this point in time, and may be delayed due to planning,
design and construction issues. If these delays do occur, the proposed student stations may not
be available for the time frames required.

**Applicant Pool Calculation**

Tables 5 and 6 illustrate the calculation of the Applicant Pool for the Charter School. The
estimate included the number of students who currently attend school outside of the Study Area
as well as those representing the penetration by charter schools. Additional information is
provided based on the over/under capacity in existing facilities and the number of portables
under use at the public school sites. All data on attendance and capacity was obtained from
published reports of the School Board.

The inclusion of portables in this analysis reflects the statement of the School Board to eliminate
these structures.

The number of students in the Applicant Pool was measured using these data. Table 5 provides
the current conditions in the Study Area and includes several radii for comparison purposes.
Table 6 offers projections for the year 2010. This table also notes the planned construction of
school facilities by the School Board and the proposed Charter Schools. It is significant to note
that even with the inclusion of all planned school facilities, a deficit exists regarding providing
school stations for all of the students that will exist in the Study Area.
**TABLE 5**  
**APPLICANT POOL 2005**

<table>
<thead>
<tr>
<th></th>
<th>2 Mile Radius</th>
<th>5 Mile Radius</th>
<th>7 Mile Radius</th>
<th>10 Mile Radius</th>
<th>Polygon</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Age Population</td>
<td>1,779</td>
<td>7,423</td>
<td>13,491</td>
<td>20,427</td>
<td>15,033</td>
</tr>
<tr>
<td>Enrollment in schools in area</td>
<td>875 7,349 10,886 16,700</td>
<td>5,264</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charter School Penetration 13.09%</td>
<td>233 972 1,766 2,674</td>
<td>1,968</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students Attending school outside area</td>
<td>904 74 2,605 3,727</td>
<td>9,769</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students enrolled above capacity (current condition)</td>
<td>-128 354 -275 -1,244</td>
<td>282</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stations in Portables (current condition)</td>
<td>0 688 724 1,152</td>
<td>490</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pool of Applicants</td>
<td>1,009</td>
<td>2,088</td>
<td>4,820</td>
<td>6,309</td>
<td>12,509</td>
</tr>
</tbody>
</table>

**TABLE 6**  
**APPLICANT POOL 2010**

<table>
<thead>
<tr>
<th></th>
<th>2 Mile Radius</th>
<th>5 Mile Radius</th>
<th>7 Mile Radius</th>
<th>10 Mile Radius</th>
<th>Polygon</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Age Population</td>
<td>2,377</td>
<td>9,372</td>
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<td>25,470</td>
<td>18,670</td>
</tr>
<tr>
<td>Enrollment in schools in area</td>
<td>875 7,349 10,886 16,700</td>
<td>5,264</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charter School Penetration 13.09%</td>
<td>311 1,227 2,212 3,334</td>
<td>2,444</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students Attending school outside area</td>
<td>1,502 2,023 6,012 8,770</td>
<td>13,406</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students enrolled above capacity (current condition)</td>
<td>-128 354 -275 -1,244</td>
<td>282</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stations in Portables (current condition)</td>
<td>0 688 724 1,152</td>
<td>490</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pool of Applicants</td>
<td>1,685</td>
<td>4,292</td>
<td>8,673</td>
<td>12,012</td>
<td>16,622</td>
</tr>
<tr>
<td>Planned School Board Construction</td>
<td>0 2,176 3,116 3,116</td>
<td>2,176</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planned Charter School Construction*</td>
<td>1,600 1,600 1,600 1,600</td>
<td>1,600</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Students above existing & planned capacity | 85 516 3,957 7,296 | 12,846 |

*The City of Palm Bay has plans for additional Charter School construction. However, due to the agreement with the School Board for the permits for the Patriot Charter School, these facilities cannot be constructed until Patriot Charter School reaches capacity.*
SECTION 7. CONCLUSIONS

After review of all of the documentation and the calculations of the supply and demand, it is the conclusion of PMG Associates, Inc. that there is demand for the proposed Patriot Charter School. The analysis reveals that there is a significant Applicant Pool in the current time frame. Based on the conditions in the area, the polygon defined on Page 5 is the most appropriate service area. The number of students in the Applicant Pool from the Study Area defined in the polygon, in 2005 is 12,509.

Projection of the Applicant Pool to the Year 2010 required adding students due to the increased population in the Study Area. The analysis also includes the additional school facilities planned by the School Board and Charter Schools. To meet the increased demand for student stations, it is necessary to construct all of the planned facilities within the next five years. Even with these new student stations, the number of students above the capacity is 12,846.