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# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Approval of January 4, 2016 SPCSA Board Meeting Minutes**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 2
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Adam Johnson, Chair, State Public Charter School Authority**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 5 mins**

**SUBMITTED BY:** _____

# NEVADA STATE PUBLIC CHARTER SCHOOL AUTHORITY

**January 4, 2016**

Nevada Department of Education
700 East Fifth Street
Board Room
Carson City, Nevada

And

Nevada Department of Education
9890 South Maryland Parkway
Board Room
Las Vegas, Nevada

## MINUTES OF THE MEETING

## BOARD MEMBERS PRESENT:

**In Las Vegas:**
Kathleen Conaboy
Robert McCord
Adam Johnson
Elissa Wahl
Marc Abelman
Nora Luna
Melissa Mackedon

**In Carson City:**

## BOARD MEMBERS ABSENT

## AUTHORITY STAFF PRESENT:

**In Las Vegas:**
Patrick Gavin, Director, State Public Charter School Authority
Joan Jurgensen, Education Program Professional, State Public Charter School Authority
Nya Berry, Education Programs Professional, State Public Charter School Authority
Traci House, Business Process Analyst, State Public Charter School Authority

**In Carson City:**
Angela Blair, Education Program Professional, State Public Charter School Authority
Kathy Robson, Education Program Professional, State Public Charter School Authority

Katie Higday, Management Analyst, State Public Charter School Authority
Danny Peltier, Administrative Assistant, State Public Charter School Authority

## LEGAL STAFF PRESENT:

**In Las Vegas**:
Greg Ott, Deputy Attorney General

## AUDIENCE IN ATTENDANCE:

**In Las Vegas**:
Attendance Sheet Attached

**In Carson City:**
Attendance Sheet Attached

## CALL TO ORDER; ROLL CALL; PLEDGE OF ALLEGIANCE; APPROVAL OF AGENDA

Chair Johnson called the meeting to order at 10:00am with attendance as reflected above.

**Member McCord asked for a motion for a flexible agenda. Chair Johnson agreed and called for a motion for a flexible agenda. Member Abelman seconded. There was no further discussion. The motion carried unanimously.**

### Agenda Item 1 – Public Comment

**None**

### Agenda Item 3 – Director's Report

Director Gavin introduced Duffy Chagoya to the SPCSA staff as the accountant. He also informed the board that Katie Higday had been promoted to a Management Analyst II , replacing Allyson Kellogg, and Danny Peltier had been promoted to Management Analyst I. He said there were three positions staff was still in the process filling which were an Accounting Assistant III, Deputy Director and Administrative Assistant III.

### Agenda Item 4 - Public Hearing to make a determination regarding whether to revoke the written charter of Silver State Charter School. Pursuant to the October 26 action from the Board and Staff's October 26 letter to Silver State Charter School and the hearing December 4 2015, the Board will consider whether the deficiencies included in the Notice of Closure have been corrected to the satisfaction of the Board. If the deficiencies have not been corrected, the Board will also consider revocation of the written charter.

Chair Johnson asked that members of the public wishing to speak on agenda item 4 present their testimony.

Kendall and Gale Carothers spoke in support of keeping Silver State Charter School (SSCS) open beyond the 2015-2016 school year. They spoke about the success their family had while being involved and enrolled in SSCS.

Richard Stokes, Superintendent of Carson City School District, spoke in neutrality to the revocation of SSCS's charter. He informed the board that in the event there was a change in the status of SSCS's charter, there would be other options that Carson City school district would be able to offer those students including online and alternative education.

Deputy Attorney General Greg Ott gave an overview of the proceedings. Mr. Ott said this was a continuation of the December 4, 2015 SPCSA hearing to consider the deficiencies included in the Notice of Closure had been corrected by the school. The Notice of Closure had given the school until November 27, 2015 to respond, and correct, the items addressed in the closure notice. If the deficiencies had not been corrected, the Board would also consider revocation of the written charter in accordance with NRS 386.535. Mr. Ott said at the last meeting on December 4, 2015 the Authority heard testimony from members of the public and SSCS regarding the Notice of Closure. Since the document was voluminous, and SSCS had requested additional time to submit evidence the hearing was postponed to allow for Authority members to have a full review of the submitted documents which were made due on December 10, 2015. Mr. Ott said that since the deadline for documents to be submitted in response to the Notice of Closure had passed and oral testimony had been given at the December 4, 2015 meeting, there may not be the need to provide additional testimony relating to the submitted documents.

Mr. Ott then invited SSCS representatives to testify and see if they had additional questions. Christina Saenz said she did not have additional testimony but did confirm that the school had submitted all needed documentation in response to the Notice of Closure. Mr. Gavin said the SPCSA staff would not have additional testimony and would only be asking clarifying questions. Mr. Ott said that since additional questions would be asked, which may lead to additional evidence, the representatives of SSCS would need to be sworn in under oath. Chair Johnson then swore in the representatives of SSCS under oath.

Director Gavin asked SSCS about the agreement that had been provided between the school and Bank of America and asked for the date of the meeting in which the resolution was voted on. Ms. Saenz said the school attempted to have the Bank of America Account closed on November 27, 2015, but the bank said that it would require a resolution passed by the school's governing board. Due to Open Meeting Law requirements the school was unable to pass the resolution until December 3, 2015. Mr. Gavin said the school had not provided the resolution or the minutes in which the resolution was passed. Ms. Saenz said she thought they had been submitted into Epicenter. She said she did not know the documents were not in Epicenter and assured the Authority they would be uploaded as soon as possible. Mr. Gavin asked what the amount paid to close out the account was. Ms. Saenz said the amount was $22,500. Ryan Russell, attorney representing SSCS, added the school had been given guidance by the State Board of Education that they were permitted to enter into the derivatives swap account and objected to the SPCSA's staff accusation that the account was illegally entered. Mr. Gavin asked Ms. Saenz if the school was in possession of documentation that stated the school could enter into said account from the State Board of Education or the Nevada Department of Education staff. Ms. Saenz the school was in possession of some documentation at the school site, but it was not submitted by the school in response to the Notice of Closure because the school felt the Authority would be in possession of the documentation because the school was sponsored by the SPCSA.

Director Gavin asked about the information the school had provided regarding their three new board members. Ms. Saenz said the information was provided to show the Authority that they were compliant as a board. Director Gavin asked Ms. Saenz to identify the three new members and what their roles were in serving on the SSCS governing board. Ms. Saenz identified Sara Choat, teacher at SSCS, Casey Popovich, business member and Barbara Cousins was on the board but resigned due to a conflict of interest with another job she had taken. Director Gavin asked Ms. Saenz if she had read the affidavit of service provided by Ms. Choat. Ms. Saenz said she had not read the document. Director Gavin then read from the affidavit, which asked if the prospective board member had any relationship with other members of the SSCS staff or governing board. Ms. Choat said that here mother was the director of Special Education at SSCS. Director Gavin asked Ms., Saenz if she was aware of the prohibition in stature that prevented governing board members to have familial relationships with staff members of the school unless approved by the Authority. Mr. Russell objected to the line of questioning, which he felt was outside of the agendized items for the hearing. Mr. Gavin disagreed with the objections stating the question pertained to the school's ability to remedy the deficiencies that were listed in the Notice of Closure, specifically, the composition of the board. Mr. Russell said that was not an agendized item and the only item that had direct correlation with the agenda was the fiscal management of the school. Chairman Johnson agreed with Mr., Russell that the two items would be the fiscal management of the school. Director Gavin disagreed with the interpretation by Chair Johnson stating the governing board composition fell within the purview of the statutory requirements the school needed to address and comply with.

Chair Johnson called for a five minute recess at 10:31am. The meeting came to order at 10:38 am.

Chair Johnson said he still agreed with Mr. Russell's interpretation of the board composition and its inadmissibility to the testimony regarding the financial mismanagement of the school. Mr. Ott asked that SSCS clarify that the board member affidavits that were submitted were not part of the response to the Notice of Closure. Ms. Saenz said she could confirm that notion and added Ms. Choat would step down from the governing board if that was deemed necessary.

Member Conaboy asked if the board was not responsible for the fiscal management of the board considering the exclusion of the board resumes as evidence, who then would be considered responsible? Mr. Ott said with regard to the evidence, the school would have needed to identify the board resume submission as a curative measure that was taken in response to the Notice of Closure, which SSCS said they did not do. Mr. Russell added that the board is obviously the responsible party with regard to fiscal management of the school, however, the item at this hearing was whether those board changed were made in response to the Notice of Closure as a curative measure, which the school had not done.

Member Wahl asked how the Authority was supposed to make a determination of the quality of the school's leadership if it wasn't allowed to consider the prospective board members the school had submitted. Mr. Russell responded by saying the forensic audit discussed at length about a concern of a former board member's relationship with school staff, but since that was not included in the Notice of Closure it should not be materially considered during the current hearing. Member Wahl asked Mr. Russell if he was suggesting the Authority should not use evidence that had been submitted by the school in their uploaded documents. Mr. Russell said that he was not suggesting that to the board, but rather to consider the school's steps to cure the issue of alleged fiscal mismanagement.

Member McCord referred to the school's governing bylaws that stated the school's fiscal management was to be overseen by the governing board and asked the representatives to address what in the curative measures they had submitted would give confidence to the Authority that the board would have the capacity to oversee these matters in the future. Mr. Russell said that in advance of the forensic audit, the school had a clean financial record in the previous years of operation. Since the forensic audit, the school had engaged with a CPA to assist with financial decisions and adopted more stringent financial controls to ensure this would not happen again, including closing the derivatives account listed in the Notice of Closure. Ms. Saenz added that she has directed the board to become more educated in school financing, which she has experience in, and hopes that education would help members make better informed decisions regarding financial matters. Member McCord said that he was stilled bothered by the history of problems that the forensic audit had identified and was still concerned about the governing board's capacity to handle these situations better in the future.

Member Wahl asked if the minutes that were written during the SSCS board meeting where the derivatives account was closed were finalized yet. Ms. Saenz said they had just been finalized and would be submitted soon.

Director Gavin asked if the school had entered into a contract with the CPA. Ms. Saenz said the school had not contracted with a CPA, but directed the Executive Director of the school to engage in work with a CPA. Director Gavin asked when SSCS had adopted the new financial controls. Ms. Saenz said the school had adopted the draft financial controls on November 16 because certain words needed to be changed in the draft prior to adopting the final draft. Director Gavin asked Ms. Saenz to show him where on the November 16 board agenda the adoption of the draft financial controls was listed. Ms. Saenz said the school went through the draft financial controls and then voted to approve. Director Gavin noted the draft minutes that were submitted to the Authority regarding that meeting did not include any mention of

an adoption of draft financial controls. Ms. Saenz said those minutes were incorrect and had since been updated, but had not submitted to the Authority.

Director Gavin asked about a December 8th email that referenced Dr. Kotler's work with Cheryl Miller Mintz. Ms. Saenz said Ms. Miller Mintz was a book keeper who worked for numerous charter schools in Nevada. Director Gavin read from the referenced email which noted Dr. Kotler had agreed to $50 an hour work for the school. Director Gavin asked Ms. Saenz if the board had directed Dr. Kotler to enter into the agreement prior to December 8th. Ms. Saenz said that was correct.

Member Wahl asked if the December 10th submission deadline was for new documents or only for documents that were extended from the November 27th deadline. Mr. Ott said his recollection was the December 10th deadline was an extension for the school to submit documents for curative evidence, but not an extension of the November 27th curative deadline. Member Conaboy asked Ms. Saenz about the draft November 16th minutes and the lengthy discussion regarding the adoption of the draft financial controls and why there was no mention, not even in passing, regarding that discussion or the adoption. Ms. Saenz said the November 16th minutes were riddled with errors because a staff member did the minutes without the recording and had since been corrected. The minutes were not submitted yet because the school entered winter break. Member Conaboy asked about a letter dated November 26th which stated the school had entered into a contract with Casey Neilon accounting firm, which Ms. Saenz previously said had not been entered into. Ms. Saenz said Dr. Kotler had decided to enter into an agreement with Casey Neilon and the board decided to contract with Ms. Miller Mintz as well. Member Conaboy said she did not see any reference of these agreements in the draft November 16th minutes. Ms. Saenz said those minutes were incorrect and since been changed. Member Conaboy said she wanted to understand the discussion the school had regarding the various accounting firms and how the school's board came to their discussions. Ms. Saenz said the minutes were completely incorrect since they were not done using a recording of the meeting, but had seen been changed to reflect the discussion the SSCS board had regarding that item.

Chair Johnson asked for additional questions from either the Authority board of representatives of SSCS, which there none. Chair Johnson moved to closing arguments and allowed SSCS to go first.

Ms. Saenz said SSCS had submitted sufficient evidence showing they had taken necessary curative steps in response to the Notice of Closure. Specifically, the resignation of the former board president and executive director of business services, SSCS had implanted more stringent financial controls based on the findings of the forensic audit, engaged with CPA firms with charter school knowledge, formed a budget subcommittee, closed the derivatives account, and asked that the school be considered under the alternative framework due to the high at-risk population it currently serves. She said she believed the school had taken all necessary steps in response to the Notice of Closure, which meant the school should be given the opportunity to continue operations.

Chair Johnson then asked for Director Gavin to give the SPCSA staff's closing argument. Director Gavin said the facts presented were not in dispute. He said the school did not meet the deadlines to cure the items listed in the Notice of Closure and the evidence the school supplied confirmed that fact. He said the school had argued that it had submitted incorrect information and wanted the Authority to consider oral arguments stating the incorrect submissions had been corrected including the draft November 16th meeting minutes. Director Gavin said there were many inconsistencies in the response to the Notice of Closure most tellingly the incorrect draft minutes. He said it defies understanding that a school who was up for a revocation hearing would submit such inconsistent documentation and had not carefully considered all the documents it was asked to submit. He said it led to questions of the school's leadership

and the capacity of that leadership to ensure the successful management of the school. He said the school did not close the derivatives account until after the deadline. He said the Authority asked the school to make significant changes to cure the deficiencies listed in the Notice of Closure, which the school missed the deadline for. With regard to the accounting firm, Director Gavin said the evidence that was submitted by SSCS does not support the argument of SSCS. He said one of the cures, the CPA, was engaged well after the deadline. The school did not submit any evidence the school had actually entered into a contract with Casey Neilons. Director Gavin said the internal controls adoption absent of the CPA adoption, after the deadline, absent of the derivatives account closure after the deadline showed the school did not cure the deficiencies listed in the Notice of Closure. Director Gavin said due to these facts he was recommending closure of SSCS.

Member Luna asked what led to the school's decision to reduce the workforce including two teachers. Mr. Russell said the Reduction in Force was reversed and there were currently no teachers who had been reduced in force.

Member Conaboy asked about Appendix K in response to forensic analysis, specifically the letter from Dr. Kotler that stated the role of the SSCS board was to set policy for the school not to run the day-to-day operations, or determine its direction. Dr. Kotler said there are numerous research documents online that state the board should set the policy, but the procedures be set by the school staff. Member Conaboy said that sort of sentiment was confirmed in Appendix L where Dr. Kotler used the first person "I" in response to decisions made by SSCS. She said that use of the first person was alarming in that no one person could be responsible in turning the school around. Dr. Kotler said as Executive Director of the school much of the responsibility falls to her and that was her reason for using the first person. She said she had to draft the internal controls document due to lack of documentation she had asked to be submitted. She said the school was in a hurry to get things right and so she felt decisions needed to be made to ensure the school met the curative measures requested in the Notice of Closure.

Chair Johnson then detailed the motions he would be asking for in regard to the closure of the school. He said it would be in two parents. Motion 1 would be in regard to whether Silver State had cured the financial deficiencies identified in the Notice of Closure, then a second motion would be made after that.

**Member Wahl motioned that the SPCSA does not find that the deficiencies were cured in time. Member Abelman seconded. Mr. Ott asked if the motion was regarding the first item in the list of deficiencies, which Chair Johnson confirmed.**

**Member Wahl amended her motion that the SPCSA does not find the sufficient evidence in a timely manner that deficiency 1 was not cured. Member Abelman seconded. There was no further discussion. The motion passed unanimously 7-0.**

Chair Johnson then asked for the second motion. Member Conaboy asked for clarification on deficiency 1 and two. Chair Johnson said deficiency 1 was the schools responsibly for curing the fiscal mismanagement and the school had failed to abide by Generally Accepted accounting practices. Deficiency 2 was the audit had invested public funds in a high-risk derivative account which was a violation of NAC 387.765 and NRS 386.490-694 and NRS 386.5351A3.

**Member McCord moved that the SPCSA does not find school complied with state law regarding derivative accounts. Member Abelman seconded. There was no further discussion.**

Member McCord then withdrew the motion and asked to restate for clarification purposes. Chair John approved of the request.

Member McCord motioned that the SPCSA rejects the response of SSCS with respect to derivative contracts, which he also withdrew. Chair Johnson then asked for a motion to determine if the Authority board felt SSCS had taken curative actions with regard to deficiency 2.

**Member Wahl motioned that the SPCSA finds that SSCS had not effectively cured deficiency 2 by the SPCSA mandated deadline. Member Abelman seconded. There was no further discussion. The motion passed 6-1 with Member Luna as a nay.**

Chair Johnson said that since one or more of the deficiencies had not been cured by the mandated SPCSA deadline, the Authority would now hear the revocation of SSCS's charter. He called for a 10 minute recess.

The meeting recessed at 10:38 am and reconvened at 10:48am.

Chair Johnson asked Mr. Ott to give an overview public hearing regarding the closure of SSCS. Mr. Ott said this would be a hearing regarding the closure of the school and that a closure would not be in effect until the completion of the 2015-2016 school year. He said the hearing would mirror the previous hearing and both parties would be allowed to present evidence including that which was not included in the deficiencies.

Chair Johnson then called for public comment.

Lynn Stephenson spoke in support of SSCS and opposition to the closure of the charter school. She was a former teacher and parent of the school and understood the board did not meet the requirements requested by the SPCSA, but there would be serious consequences to closing the school She said she felt it would affect students in a negative way and hoped the Authority would consider those consequences.

There was no additional public comment in Carson City or Las Vegas.

Chair Johnson then asked for testimony from SSCS. Ms. Saenz said she understood the problems SSCS had, but felt the school was taking the steps necessary to remedy those issues. She said the school had tried to make each deadline, but was unable to due to Thanksgiving and Open Meeting Law requirements that did not allow the board to meet prior to the deadline. She said the school did everything it could to close the derivative account on time. She said the school had terminated the people who had financially mismanaged and was continuing to implement best practices to prevent mismanagement in the future.

Dr. Kotler said the deficiencies in the Notice of Closure were met and the timeline was not the issue. She said the school had 12 years of clean financial audits. She said the crux of the matter was the school served at-risk students and was not an issue of financial management. She said the school was convinced to change their at-risk designation during the 2014-2015 school year which negatively affected the school's performance rating. She said the school has been restructured and student results were improving. Students who attend the school enter well below grade level which the performance framework did not consider. She said the school was taking a hands on approach with each student to ensure they are given the necessary classes to bring them up to grade level and beyond. She said the school also partnered with WNC to help students be able to attend college. She said if the school was

closed, 350 students out to pasture and they would not be remediated and they wouldn't ever graduate high school.

Director Gavin then asked follow up questions. He asked Ms. Saenz regarding the data included in the Academic Performance framework, why the graduation rate was 0% validated by the Nevada Department of Education for 2014-15 school year. Dr. Kotler said the school should be considered under the alternative framework. Director Gavin asked Ms. Saenz when the school asked to relinquish its at-risk designation. Ms. Saenz said she did not recall when it happened and it was prior to her term. Director Gavin asked if Dr. Kotler had evidence of when that occurred. Dr. Kotler said during the 2015 summer, the school submitted the request. She said a former SSCS board member told her that a SPCSA board member told them the school did not need that designation and in order to appease the SPCSA board member the former board asked for that to be considered at hearing over that summer. Member Wahl asked what Dr. Kotler's understanding was of the benefit in being designated as an at-risk school. Dr. Kotler said her understanding was there were quantitative and qualitative benefits to the designation analysis of the school's challenges and opportunities. She said since the school had tested its students and proved the at-risk population; they should receive the benefits of that designation. Member Wahl said the state does not have an alternative performance framework and school must abide by the SPCSA's performance framework. Member Wahl said many schools had testified to the SPCSA that they served at-risk students and how they were different than SSCS. Dr. Kotler said that most students in Nevada were at-risk and the state was not dealing with it properly. She said that is why Nevada is ranked 50th nationwide with regard to the education of its students. She said the state needs to get real with the expectations and analysis of results for their schools and consider that it would be extremely difficult to recruit high-quality charter school operators.

Director Gavin then asked Dr. Kotler to clarify her statement regarding his decision to not consider the school's mission statement during a prior SPCSA board meeting. Dr. Kotler said she had a copy of the audio tape that said the SPCSA included the amendments regarding the amount of students who would attend on site at the school, but also stated that he did not feel the at-risk designation should be included on the agenda because it was not important. Director Gavin said the school's counsel recommended the school not submit the item regarding the mission statement on the agenda hence the reasoning for the exclusion of the agenda item.

Member Wahl asked about the additional documents uploaded in response to the Notice of Closure specifically the resignation letter from Edith Grub and why there was not signature or board meeting minutes referring to that resignation and if the school could confirm she would not serve on the board again. Ms. Saenz said Ms. Grub emailed the letter that was uploaded and it was noted in minutes from a prior SSCS meeting that her resignation would be affective on November 27th and that Ms. Grub had finished her relationship with SSCS.

Member Luna asked why the results were so poor with regard to the academic success of the school. Dr. Kotler said she disagreed with the 0% graduation report and the at-risk designation did not include students with special needs. She said the school had not had enough time to remediate the students and if given that time the results would show.

Director Gavin asked about the third party assessment the school was using and if that was the mechanism the school was using to determine if a student was academically behind. Dr. Kotler confirmed the use of the assessment along with the student's prior report cards. Director Gavin asked if Dr. Kotler was aware of how Nevada had defined at-risk students and if she understood the provision regarding if a student was more than two years of their cohort and how many students SSCS enrolled. Dr. Kotler said

the school had 98% of their students who were two years behind their cohort using their third party assessment. Director Gavin said that assessment was not valid in the state. Dr. Kotler said she was assured if the students were tested using the state's methods it would confirm SSCS's results.

Director Gavin noted SSCS had been open for 12 years and the results over the last 6 years showed the school was academically underperforming. Ms., Saenz noted the school was considered high-achieving prior to the change of the academic framework it was measured by. Director Gavin said he had no further questions.

Director Gavin said the organizational and academic underperformance was evident the school should cease operation upon the completion of the 2015-2016 academic year.

Chair Johnson asked if SSCS had any additional closing statements. Ms. Saenz said she had no further closing statements. Dr. Kotler said she was sad for the future of the students who attend SSCS who may be left with no degree. Mr. Russell said SSCS appreciated the time given by the SPCSA during the hearing. Director Gavin said the SPCSA had no further arguments.

Chair Johnson then called for Authority deliberation regarding the testimony of both the SPCSA staff and representatives of SSCS.

Member Wahl referenced the CREDO study that stated that a school's first year results were indicative of how they would do over the course of their charter. She then stated the school was in its 12th year and the results still were not acceptable.

There was no further deliberation and Chair Johnson called for motion to consider the revocation of SSCS's written charter agreement.

**Member Wahl motioned for the Nevada State Public Charter School Authority to revoke the written charter agreement between it and Silver State Charter School upon the completion of the 2015-2016 academic year. Member Luna seconded. There was no further discussion. The motion passed unanimously 7-0.**

## Agenda Item 6 - NACSA SPCSA Evaluation presentation

Elisa Westapher and Carly Bolger spoke to the Authority regarding the NACSA Authorizer Evaluation they completed on behalf of the SPCSA. Ms. Westapher and Ms. Bolger detailed the process and findings of their report. The findings contained in the report were: The Authority has developed an application template that is focused on identifying new schools that are likely to drive improved outcomes for students. The Authority's charter school contract is comprehensive and clearly outlines the responsibilities of each party. The Authority has established strong academic, financial, and organizational performance frameworks. The Authority's board is knowledgeable and committed to implementing high- quality authorizing practices.

The new school application has been recently revised to better align with the Authority's needs but the evaluation process needs to be further developed and more consistently implemented. Key Recommendations included: Articulate process for reviewing applications including who reviews the application, the criteria for review, a capacity interview, and a consensus discussion among all evaluators Develop, train, and, orient staff on the application review process to ensure that all reviewers are prepared to conduct a thorough review of all sections of the application. The interview panel should, when possible, include all members of the evaluation team for a particular application. Continue to engage

external reviewers to ensure that all evaluation teams have the appropriate expertise to thoroughly evaluate all sections of the application.

While the Authority has established systems for monitoring school performance, it has not implemented such systems with fidelity. Key Recommendations included: monitor schools' academic, financial, and organizational performance consistently and effectively. Implement mid-term site visits, and develop a site visit protocol and formal process for providing feedback to schools after the visit. Develop a plan for accelerating the transfer of remaining schools to the new contract and allocate additional capacity to address the backlog. Issue a guidance document, similar to the performance framework guidance document, which explains the new renewal process.

The Authority has established strong academic, financial, and organizational performance frameworks, but it is not effectively communicating with schools about their performance on these frameworks. Key Recommendations included: provide schools with an annual assessment of their academic, financial, and organizational performance; ensure schools up for renewal receive performance information in a timely manner. Develop a plan for addressing schools' concerns and confusion regarding the implementation of the academic performance framework; particularly, the opportunity for schools to meet with staff to discuss the underlying data and how this data is used to calculate their ratings. Revise the organizational performance framework so that it describes what information the Authority will review and how the Authority will verify schools' compliance with the requirements.

The Authority's reporting requirements for schools, mandated by the state and based on their status as the LEA, have the potential to erode the autonomy granted to charter schools. Key Recommendations included: Clarify and codify the Authority's LEA responsibilities and communicate this information to schools. Maintain focus on preserving school autonomies when considering new regulations or requirements. Identify ways to reduce duplicative reporting requirements from state agencies. Develop a plan for differentiated oversight as permissible by law.

The Authority needs to significantly expand its capacity in order to meet its obligations as an LEA and to ensure high quality authorizing. Key Recommendations included: Engage in a new strategic planning process as soon as possible, and ensure that the process includes diverse stakeholders such as board members, staff, and school leaders. Given the limitation on hiring new staff, clearly define and communicate roles and responsibilities to all current and future staff members. Provide management support and/or coaching to the director to enable him to fully leverage his existing staff. Implement an evaluation system for the director.

Ms. Westapher and Ms. Bolger then detailed the next steps both short and long term for the Authority and staff. Short-term steps included: Fully operationalize the application decision- making process, develop plan for expanding Authority capacity to continue to implement high-quality authorizing practices and monitor schools' academic, financial, and organizational performance consistently and effectively. Long-term steps included: engage in strategic planning process, develop annual reporting for schools' academic, financial, and operational standing, mid-term visits for charter schools and differentiated autonomy/compliance for schools based on performance.

Discussion continued between the Authority and NACSA regarding the final authorizer evaluation report, which included next steps, monetary/budgeting concerns, further evaluations in the future and how to best implement some of the recommendations contained within the report. NACSA identified the "internal battle of authorizing versus LEA functions" that continues to be a point of confusion for staff and the Authority as being one of the most pressing issues facing the SPCSA and its board. Ms. Bolger said that

as the LEA/Authorizing roles become more defined for staff it will help clarify the overall mission for SPCSA staff and members of the Authority. They said many other Authorizers do not have the same LEA responsibilities as the SPCSA has and that is something that makes authorizing schools in Nevada unique compared to many other states.

## Agenda Item 7 - Presentation by Founder's Academy Charter School

Timm Petersen, principal of Founders Academy, presented to the Authority. He spoke about the mission of the school and the model it has implemented since opening in 2014. He said that a Classical education is a liberal arts education. "Liberal", in this case, means "free". Classical education prepares young men and women to live in freedom and independence, and not in a servile existence. The primary art for which we are preparing is the art of living well. Job skills are a by-product and not the end of classical education. The end is a virtuous young adult who lives not with historical or cultural amnesia, but rather with a sense of who she is in the context of human history. Classically trained students will be well qualified for future studies in law, medicine, business, engineering, technology, theology or any other professional or vocational pursuit. We aim for our students to know the story of our country, and to read and write with facility. We are clear that a young graduate who is able to use her knowledge of the past to make good decisions in the present, and to plan wisely for the future will be in high demand and prepared to flourish.

Classical education requires teachers who are trained in academic disciplines (literature, history, sciences, mathematics, etc.), and not just in "education". Naturally, classical school teachers love to spend time with children, they are kindhearted, and they know how to manage a classroom. But subject matter expertise is required. Our vision is to create a faculty that is academically gifted and in full pursuit of intellectual interests, because these habits tend to positively influence students who are by nature looking for leaders to follow.

Upon completing the presentation, Mr. Petersen asked teachers currently employed at Founders to speak about the day-to-day life at Founders Academy. The Authority continued with discussion regarding Founders Academy and how it was educating the pupils enrolled there.

## Agenda Item 4 - Consideration, discussion and possible action on the 2015-2016 SPCSA charter renewal application

Director Gavin presented the proposed renewal application for operating charter schools.

Background:
Current statute does not prescribe a process, timeline, format, or contents for the renewal of written charters, thereby providing sponsors with broad discretion with regard to how they address the renewal of charter schools which were sponsored prior to the passage of AB205 during the 2013 Legislative session.

Recommendation:
Based on best practice from other charter authorizers nationwide, staff recommends a data-driven approach to renewal decisions which considers academic, financial, and organizational performance. Based on the limited field resources appropriated to perform authorizing work, the Authority adopted the monitoring tools, criteria, and intervention processes in the Performance Framework as its structure for implementing the annual programmatic audit required for all schools operating under written charters. Consequently, the Authority has a growing body of performance data for all SPCSA-sponsored schools based on the key performance indicators identified in the Academic Framework, the Financial Framework, and the Organizational Framework which provide a data-driven mechanism for making renewal decisions.

The attached renewal application template requires schools to focus on performance and outcomes over anecdote and sentiment. It is predicated on the values and beliefs which are foundational to charter schooling: autonomy in exchange for results. It prescribes common data elements that schools are required to report and staff is required to verify prior to making a renewal recommendation. The application also delineates the data and evidence which will be considered by the Board in making renewal decisions, separating the decision to grant a renewal from the decision to make changes to the new agreement, the charter contract, based on lessons learned during the previous term.

Chair Johnson asked Director Gavin about the process regarding amendments as opposed to renewal and if those requests would be considered at separate meetings. Director Gavin said the Authority would need to approve amendments for select items including enrollment changes, additional campuses and other items deemed material. In the case of non-material amendments, staff has the ability to approve such items without having a meeting of the Authority. He said there is proposed language that would allow the Authority to let staff approve material amendments if it so chooses, but current regulations have not been changed to allow for that provision yet. Member Conaboy asked where schools would be able to explain, and give evidence to show they had remedied academic, financial and organizational issues that may have been identified during the term of their charter. Director Gavin said they would be able to reference the corrective actions that would have been submitted in response to a Notice of Concern or Breach which would provide reviewers the evidence the school had fixed any problems. As long was the school is in good standing with the Authority entering into a renewal period that would be what was considered by SPCSA staff for the renewal recommendation.

Member McCord asked if midterm reviews would be implemented in the renewal document. Director Gavin said midterm charter reviews was not included in the renewal document due to budget constraints, but staff was working on a robust site visit protocol document where midterm reviews would be considered. Director Gavin said he recognized the lack of capacity in certain areas of the Authority and said he would continue to work with the budget office to allow for more staff and other operational structure.

**Member McCord moved for approval of the 2015-2016 Renewal Application. Member Abelman seconded. There was no further discussion. The motion passed unanimously.**

## Agenda Item 8 – Next Authority Board Meeting

The next Authority Board meeting was scheduled for February26, 2016.

**Member Abelman moved for approval. Member Conaboy seconded. There was no further discussion. The motion passed unanimously.**

## Agenda Item 9 – Public Comment

Dr. John Hawk, NSHS, thanked the Authority for the vote of confidence during their renewal at the previous Authority meeting. He also said he was looking forward to sharing information with the Authority regarding his meetings in Tennessee and asked if it would be possible to be placed on the agenda of a future SPCSA board meeting. Dr. Hawk asked about the Charter School Programs grant and where it was it in the implementation process. Dr. Hawk also praised the Authority for its choice of Director Gavin and looked forward to continuing his relationship with SPCSA staff.

Member Mackedon said she hoped the Charter Harbor Master could be placed on a future SPCSA agenda.

**Member Conaboy moved for adjournment. Member Mackedon seconded. There was no further discussion. The motion passed unanimously.**

The meeting adjourned at 4:23pm.

# State Public Charter School Authority

## Board Meeting

### Las Vegas

*01-04-2016*

| Name | Representing | Email Address for SPCSA List serve |
|---|---|---|
| Brenda Frank | foundons | |
| Nick Sorsohn | CASLV | nick@coralacademylv.org. |
| Shawna Wells | | |
| Elisa Westapher | NACSA | |
| Carly Bolger | NACSA | |
| John Barlow | Somerset NV | |
| John Hawk | NSHS | jhawk@earlycollegenv.com |
| Clayton Howell | Academica Nevada | |
| [illegible] | EIAA | |
| | | |

# State Public Charter School Authority

## Board Meeting

### Las Vegas

*01-04-2016*

| Name | Representing | Email Address for SPCSA List serve |
|---|---|---|
| Don Curry | NVVA – Board | vegascurry38@gmail.com |
| Don Thayer | CCSD | |
| Heidi Anbuckle | CCSD – OCS | hmanbuckle@interact.ccsd.net |
| Jim Endres | MCW / Kiz | jendres@mcwlaw.com |
| Orlando Dos Santos | NVVA | odossantos@nvvacademy.org |
| Ben Gerhardt | NVVA | bgerhardt@nvvacademy.org |
| Tambre Tondryk | Beacon Academy | tambre.tondryk@banv.org |
| Debra Roberson | Quest Prep Academy | d.roberson@questlv.com |
| William Bressler | LTS – Henderson | bill.bressler@legacytraditional.org |
| | | |

**VISITOR'S CARD**

**Nevada State Public Charter School Authority**

**Meeting**

**Welcome... PLEASE PRINT LEGIBLY** all information in full so that we may maintain accurate records.

Date 1/4/2015

Name John Hawk

Title COO

Address 233 N. Stephanie Street
Henderson, NV 89074

Phone No. 702-332-2593

Representing Nevada State HS

Subject Public Comment

- [x] I Request To Speak
- [ ] I am a scheduled speaker
- [ ] I am a visitor

# State Public Charter School Authority

# Board Meeting

## Carson City

*01-04-2016*

| Name | Representing | Email Address for SPCSA List serve |
|---|---|---|
| Gail Carothers | Silver State Charter School | SKSuccess@yahoo.com |
| Evie Boutte | Silver State Charter School | EVIEBSLT@AOL.com |
| Sara Choat | Silver State Charter Schools | sarachoat@charter.net |
| Richard Stokes | Carson City School District | RStokes@carson.k12.nv.us |
| Susan Keema | " " | skeema@carson.k12.nv.us |
| Kendall Carothers | Silver State Charter | Kendall.Carothers23@gmail.com |
| Christina Saenz | Silver State Charter | christina.saenz@sbcglobal.net |
| Lynn Stephenson | SSHS parent | OSlynnstephenson@gmail.com |
| | | |
| | | |

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Director's Report**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 3
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive, State Public Charter School Authority**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 15 mins**

- Charter Application External Reviewers update
- Applications received for the 2016 Winter Application Cycle update
- Charter School Revolving Loan Application update
- NACSA Business Consultant Contract update

**SUBMITTED BY:** _____

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Quest Receiver Update, including discussion and possible action to reduce enrollment and eliminate grade levels in conjunction with the revocation the school's authorization to occupy the Roberson campus and to the impending non-renewal of the campus's special use permit**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 4
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Josh Kern, Quest Receiver**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 45 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

**1749 North Stewart Street Suite 40**
**Carson City, Nevada 89706-2543**
**(775) 687 - 9174 · Fax: (775) 687 - 9113**

# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin

**SUBJECT:** Quest Receiver Update and Recommended Closure of Azure/Roberson Campus

**DATE:** February 22, 2016

Based on a review of the evidence submitted by the Receiver, it is clear that Quest has made significant changes to improve its financial position since the Board took action in October 2015. It has made dramatic reductions to its expenses and has taken promising initial steps to lower its costs in other areas. The situation is significantly less dire than it was four months ago. But much remains to be done.

As with any complex restructuring, many of the changes Quest needs to make to continue on the path to financial viability require the cooperation of other parties, including staff, vendors, landlords, and the State of Nevada. It will also continue to face consequences for the past decisions and behaviors of former board members and staff. As we know from the forensic audit and the materials provided by the receiver, the school entered into a number of highly inadvisable contracts and leases. In one instance we have recently discovered, the school began serving students in a facility it only had the right to occupy with the support of its neighbors and the granting of a special use permit by the local municipality.

Based on the information provided by the receiver, it is highly unlikely that the Roberson campus at 7485 West Azure Drive will have its special use permit renewed this summer. A review of the school's current financial status also argues against the likelihood that the school will be able to secure a replacement facility. There is insufficient space to accommodate the current Roberson campus student body at the other three Quest campuses. Consequently, while the school's overall financial picture has begun to improve, it is very likely that the school will be unable to serve the high school students currently enrolled at Roberson during the 2016-17 school year.

**Recommendation**:

Pursuant to the conditions under which the Authority retroactively approved Quest's acquisition and occupation of the Torrey Pines campus last fall, the school agreed to abide by any decision made by the Authority. Subsequent to that agreement and the SPCSA Board's approval of the imposition of the receiver

pursuant to that agreement, the school's governing body failed to maintain sufficient membership to form a quorum or to meet the membership requirements set forth in statute and regulation.

Notwithstanding the governing body's abdication of responsibility, the Authority retains decision-making power over the school. Despite Quest's serious financial challenges, the school remains an attractive and academically sound educational option for students and families. Depending on the outcomes of the many negotiations being undertaken by the receiver, Quest may well emerge from these challenges as a viable candidate for reconstitution next year. Authority staff strongly recommend that the school be given additional time to improve its financial position and continue to provide educational services to students and families.

Staff recommends that Quest be permitted to remain open for the 2016-17 academic year. As the school is unable to provide sufficient evidence that it will be able to maintain municipal approval to occupy the Roberson campus, staff requests that the Board authorize staff to revoke approval for the contractual amendment permitting the school to occupy Roberson effective on the date of the expiration of the special use permit. As the school will no longer be legally able to operate the facility as a school of that date, the school would otherwise be in breach of its charter contract and in violation of the provisions of NAC 386.3265 which govern charter amendments to occupy new and additional facilities.

Approval for ongoing operation is contingent upon the school announcing the impending closure of the Roberson campus and the elimination of Quest's high school program at the end of the year on or before March 1, 2016. This timeline is also aligned with the intent behind Section 7 of R035-14A, the uncodified changes to the NAC governing charter schools, which require that a school seeking to eliminate grades must request authorization at least 90 days prior to the change to ensure that families have sufficient notice of the change. The early announcement of the closure of this campus and the elimination of the high school is critical to ensuring that students and families have as much time as possible to pursue new school options. Absent such an action, far too many families will be forced to seek out new schools.

Further, it is recommended that staff be directed to monitor the improvement of the school's financial health during the spring, summer, and fall of 2016. In the event that the school has made progress sufficient to recommend operation beyond the 2016-17 school year, staff are directed to issue a specific Call for Quality Charter Schools to invite the governing bodies of high quality charter schools and charter management organizations to submit proposals to assume oversight of a reconstituted Quest Academy in the fall of 2017. Pursuant to SB509, staff are directed to engage parents and the community in the review of applications and to provide those constituencies with the opportunity to cast an advisory vote on potential operators in the event that more than three high quality operators submit proposals.

# PRELIMINARY REPORT FOR QUEST PREPARATORY ACADEMY

February 22, 2016

Prepared by Joshua Kern, Receiver

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# I. EXECUTIVE SUMMARY

After an audit revealed significant operational issues at Quest Preparatory Academy, the Nevada State Public Charter School Authority ("SPCSA") placed the charter school into receivership on October 26, 2015. The SPCSA appointed Joshua Kern—the head of a national firm specializing in charter school management—as Receiver for the school, which serves nearly 1,300 students across four campuses in Las Vegas.

The Receiver took swift action after his appointment: he assumed control of all financial accounts and stopped payment on all outstanding debts, pending a complete evaluation of the school's viability. The Receiver responded to several outstanding legal claims and sought coverage from Quest's insurance provider where appropriate. He made initial staffing cuts and reviewed accounting policies and procedures to develop a new financial management plan for the school. He also reviewed the forensic audit of Quest's operations for the 2013-2014 and 2014-2015 school years and utilized its findings in addressing the outstanding issues.

The Receiver's objective is to preserve Quest's ability to educate its students while addressing the significant, outstanding financial issues as quickly as possible. As the Report illustrates, however, mismanagement at the school spanned several years; it may take a significant period of time to unravel and remedy these problems. This Preliminary Report describes the events that led to Quest's receivership, identifies the individuals the Receiver has retained to assist his efforts, identifies the immediate issues facing Quest, describes the Receiver's current actions and describes a plan for Quest's future operations.

## A. SUMMARY OF EVENTS LEADING TO RECEIVERSHIP

At the close of the 2012-2013 fiscal year, Quest maintained a cash balance exceeding $1,000,000. By the end of 2015-2016, Quest's expended, unpaid obligations will exceed

$2,400,000. Quest experienced this dramatic reversal after entering into contracts for equipment, curriculum and facilities that exceeded its budget and cost more than the going rate.

Key members of Quest's Governing Board appear to be responsible for this budget shortfall. Specifically, Quest entered into a costly agreement with the Chartered for Excellence Foundation ("CFEF"), a purportedly independent foundation created by a Board member with the other Board members' support. The agreement tasked CFEF with providing services to Quest at financial terms highly favorable to the Foundation, not the school. Most costly was a campus sublease which obligated Quest to pay $14,771 more per month than CFEF's actual cost. Quest also hired relatives of its Board President to positions for which they were not qualified and at salaries exceeding the going rate.

Beyond this self-dealing, Quest's managers irresponsibly entered into contracts and failed to oversee its financial systems. Without Board approval, the Board President entered into several contracts that operated to the detriment of the school. These included expensive and inappropriate loan agreements, technology contracts, and salary increases for employees. Quest hired a former board member and her husband for full-time positions and overpaid both individuals by more than $70,000 during a seven-month period. Quest failed to pay the appropriate amount to the Public Employee Retirement System ("PERS") and currently owes over $360,000.

B. ACTIONS TAKEN BY THE RECEIVER

In response to the substantial mismanagement detailed in the Report, the Receiver has taken the following steps:

1. Evaluate Outstanding Financial Liabilities: The Receiver has stopped payment on all financial liabilities—currently totaling more than $2 million—while investigating the validity

of each. No outstanding debt will be paid until the Receiver determines it is valid. He will also seek reimbursement from Quest's insurance company where available.

2. Pursue Claims Concerning Former Board Members and Employees. The Receiver has filed two insurance claims to recover funds wrongfully received by Quest's employees. He has dismissed employees who received excess funds and is investigating claims for damage or indemnity from responsible Board members.
3. Evaluate Campuses. The Receiver is assessing whether each of Quest's campuses is viable. Depending on his ability to recoup overpayments and renegotiate future payments, the Receiver may elect to close one or more campuses.
4. Rightsize Staff. The Receiver has reduced staff salaries across the board and eliminated or combined positions where appropriate.
5. Implement Financial Management and Capacity Plan. The Receiver has addressed shortcomings in the accounting and financial systems at Quest. He has also established a financial management plan to ensure that appropriate technology and employee oversight occurs.
6. Conduct Performance Audit. Finally, the Receiver will conduct a performance audit for each campus in preparation for the 2016-2017 school year.

## II. QUEST PROFILE

Quest Preparatory Academy ("Quest") is a Las Vegas charter school serving students in kindergarten through twelfth grade. Since its founding in 2008, Quest has expanded from a single school to four campuses around the city. Quest initially served kindergarten through fifth grade, and annually expanded the grade levels it served. Quest grew in 2012, opening high school and kindergarten campuses; it grew again in 2014, opening a third elementary school. Today, Quest operates four separate campuses: Torrey Pines (K-7), Alexander (K), Roberson (7-12), and Bridger (K-5). When the receivership began, Quest served 1,288 students and employed 120 people.[1]

Quest received a four-star ranking (out of five stars) on the Nevada School Performance Framework for its elementary-level education during the 2013-14 school year. For its middle and high school-level education that year, Quest received a three-star ranking.[2] The Nevada State Public Charter School Authority ("SPCSA") approved Quest's request for a six-year renewal of its charter in 2014.

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[1] Appendix A to this Report provides detailed information on Quest's four campuses.
[2] The Nevada Department of Education is altering the assessment mechanism for schools and has not published data for the 2014-2015 school year.

## III. SUMMARY OF EVENTS LEADING TO RECEIVERSHIP

Quest maintained a cash balance of over $1,000,000 at the close of the 2012-2013 fiscal year. Over the next two years, due to the questionable management decisions and financial misconduct detailed below, Quest became financially insolvent.

### A. Budget Shortfall

As Quest's Governing Board (the "Board") changed its composition, the school began to enter into contracts for equipment, curriculum and facilities that were far outside its budget and above the going rate for such items. When Quest opened Roberson and Alexander in 2012, the school entered into highly unusual contracts for furnishings, equipment and technology. Quest was also paying several brokers and developers to create new campuses. When these deals fell through, Quest began leasing business parks—with plans to renovate them—for their new campuses. Quest moved its Roberson campus to an expensive business park in 2014. And, in 2015, the Torrey Pines campus moved from a reasonable—and possibly renewable—lease to another expensive business park. The two business park campuses require significant improvements. Quest failed to obtain prior approval from the SPCSA before moving to Torrey Pines and the move was only approved the day before the campus opened its doors to students. Bridger, Quest's newest campus, opened in 2015 at an exorbitant lease rate. Quest also incurred costs for shipping, storage and other logistics when moving the three campuses.

As a result of these business decisions, Quest's operating costs began to exceed its Distributive School Account funding. In the 2014-2015 school year, Quest's monthly operating costs exceeded income by a monthly average of $63,000. The Receiver estimates that, before any renegotiation occurs, Quest's total expended, unpaid obligations will exceed $2,400,000 at the end of 2015-2016.

B. Conflicts of Interest

As Quest grew, financial mismanagement by the individuals responsible for the school inflicted significant harm. Based on the Receiver's investigation and the audit prepared by Deloitte Touche Tohmatsu, LLC ("Deloitte"),[3] the two key members of the Board who appear to be most responsible for this misconduct were Board President David Olive and Board Member Anthony Barney. Other Quest employees actively involved in the mismanagement included Superintendent Debra Roberson; Director of Innovation and Grants Kelli Miller; and Human Resources Director Lee Miller, Kelli Miller's spouse. Attorney Tracy Truman served as Quest's legal counsel, his tenure spanned from November 2013 until the Receiver's appointment.

1. Relationship with Chartered for Excellence Foundation

Quest entered into a costly sublease for its Bridger campus with the Chartered for Excellence Foundation ("CFEF"), a purportedly independent entity incorporated by Barney on January 31, 2014. CFEF's original officers were: Olive, President and Director; Barney, Director; Kelli Miller, Secretary; and Debra Roberson, Treasurer. All four officers were simultaneously affiliated with Quest. In a May 17, 2014, agreement executed by Olive in his role as Quest's Board President, CFEF became an independent contractor for Quest.[4] Kelli Miller executed the agreement for CFEF ("CFEF Agreement"). At the time, both Kelli Miller and Olive held positions at both CFEF and Quest.

Under the CFEF Agreement, Quest authorized CFEF to provide a variety of services to the school, including leasing vehicles, developing curriculum, providing facilities management, performing forensic accounting services, preparing grants, fundraising and collecting computer

[3] See Appendix B: Forensic Audit Materials.
[4] See Appendix C: CFEF Agreement.

and internet fees from students.[5] CFEF's compensation equaled 20% of the gross amount of any services or goods that it obtained for Quest.[6] For lease agreements, CFEF's compensation would be determined on a case-by-case basis, but could total no less than 20% of the lease.[7] The CFEF Agreement does not indicate who determines exact amount of compensation.

Pursuant to the CFEF Agreement, CFEF secured a 25-year lease agreement for 1300 East Bridger Avenue—now the Bridger campus—and subleased it to Quest during the summer of 2014. CFEF pays $324,800 annually, or approximately $27,066.00 per month, to the landlord, CSP-Bridger Ave., LLC. Under the first sublease, dated July 9, 2014, Quest agreed to pay the same amount of rent to CFEF.[8] Kelli Miller and Olive executed the agreement for CFEF and Quest, respectively. In a second sublease agreement, executed on August 6, 2014, Quest's annual payment increased to $501,337, or approximately $41,778 per month—a $14,771 monthly increase from the first sublease. This sublease remains in effect today.[9] Again, when the lease was executed both Kelli Miller and Olive held positions simultaneously at Quest and CFEF.

The overlapping membership in the two entities changed over the next year. In February 2015, Barney resigned from Quest's Governing Board; and, in June 2015, CFEF hired Barney as its attorney. Debra Roberson resigned from CFEF's Board of Directors in June 2015, but maintained her position at Quest. Stephanie Gabany also served on CFEF's Board while working as an Executive Administrative Assistant at Quest. Gabany resigned from CFEF's Board in July 2015. On August 20, 2015, CFEF's website still named Olive, Gabany and Debra Roberson as its Board of Directors; today, the website says it is "under construction."

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[5] See Appendix C: CFEF Agreement, Article 3.2(b)-(l).
[6] See Appendix C: CFEF Agreement, Article 5.1.
[7] See Appendix C: CFEF Agreement, Article 5.1.
[8] See Appendix D: Bridger Sublease July 2014.
[9] See Appendix E: Bridger Sublease August 2014.

It appears that David Olive attempted to conceal the interrelationship between Quest and CFEF from the auditors. In July 2015, Olive e-mailed the auditor, stating "no employees of Quest Preparatory Academy work for Chartered for Excellence, sit as a serving member of the governance board of Chartered for Excellence or have affiliation with Chartered for Excellence outside a landlord/tenant relationship."[10]

2. Olive Family Nepotism

During Olive's tenure, Quest hired three of his relatives, despite their limited experience. Quest hired Olive's mother, Kaye Lynn Olive, on February 24, 2014, as a Business Office Specialist; her annual salary was $35,000. Teresa Barber, Quest's Human Resources Manager, later reported to the auditor that she wanted to fire Kaye Lynn Olive for her mistakes in payroll, but could not because Kaye Lynn Olive was David Olive's mother. Quest also hired Olive's uncle, John Thomas Olive, on May 16, 2014, as the Properties and Maintenance Manager; his annual salary was $45,000. Barber reported to the auditor that the salary for this position would be $35,000 today. And Quest hired Olive's father, James Olive, on July 7, 2014, as the Facilities Project Manager; his annual salary was $60,000. Barber reported to the auditor that she would not have hired James Olive because he had no project management experience and that the salary for this position would be $45,000 today. What's more, no drug tests are on file for Olive's relatives even though Quest imposes mandatory drug tests before hiring new employees.

Hiring these three individuals appears to have violated the Nevada Administrative Code, according to Deloitte's Forensic Audit.[11] The SPCSA did not approve any of Olive's relatives' employment before it began. But under NAC 386.345, the SPCSA must approve hiring anyone related by blood or marriage to an employee of the governing body or charter school. Quest hired

[10] See Appendix B: Forensic Audit Materials.
[11] See Appendix B: Forensic Audit Materials.

Olive's family members in 2014, but did not receive permission from the SPCSAt until February 20, 2015.

C. Mismanagement of Funds

1. Improper Contracts

Olive entered into several contracts on behalf of Quest without first obtaining Board approval, including two factoring loan agreements with Charter Asset Management Fund, LP ("CAMF").[12] On September 24, 2014, before an agreement was signed, CAMF wired $200,000 to Quest. The next day, Olive and Kelli Miller entered into a factoring agreement with CAMF for $200,000, at a cost to Quest of $10,705.[13] Six days later, Olive presented the Board with an unsecured promissory note for $200,000 and it approved the loan. On October 7, 2014, Olive and Kelli Miller signed another factoring agreement with CAMF for $400,000, at a cost to Quest of $28,435.[14] The funds were deposited in Quest's account that day. Over a month later, on November 14, 2014, the Board voted to ratify this loan. These expensive loans are extremely unusual for schools because they provide no long-term financial benefit. Quest used the loans for payroll because it had insufficient funds to meet its obligations.

Olive also failed to seek approval from the Board for a $4.3 million agreement executed on July 7, 2014, with Sprint Solutions, Inc.[15] The 36-month agreement committed Quest to purchase 2,000 devices—nearly twice the amount needed to serve Quest's student population, which peaked at 1,282—each carrying an additional $59.99 monthly service charge. The Board's meeting minutes neither reference nor approve this contract. The Board first mentions the

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[12] A factoring loan agreement is similar to a payday loan; it permits an institution to sell its accounts receivable to receive a smaller amount of money at an earlier date.
[13] See Appendix F: CAMF Agreement September 2014.
[14] See Appendix G: CAMF Agreement October 2014.
[15] See Appendix B: Forensic Audit. The Receiver has not been able to locate a copy of Quest's original agreement with Sprint in Quest's files.

agreement with Sprint on December 29, 2014, when members discussed service issues and weighed terminating the contract.

Olive and Lee Miller also failed to seek board approval for Debra Roberson's salary increases. Her salary fluctuated between $108,000 and $175,000 in 2013 and 2014. On May 6, 2013, Debra Roberson transitioned from interim to permanent Principal for all of Quest's campuses. On June 18, 2013, the Board approved her annual salary of $108,000. A year later, on May 5, 2014, Olive and Lee Miller promoted Roberson to Superintendent and increased her salary to $175,000, without Board approval. But, on October 27, 2014, Roberson requested that her salary be decreased to $108,000 until the Board approved the increase. The Board later approved the contract, which Olive and Miller had signed in June, for one year.

2. Overpayment

On March 10, 2014, Quest hired Kelli Miller as its Director of Innovations and Grants at an annual salary of $104,000. Kelli Miller resigned from Quest's Board on or about March 19, 2014. Kelli Miller's spouse, Lee Miller, began volunteering for Quest in January. Five months later, on May 14, Quest hired Lee Miller as Director of Human Resources at an annual salary of $78,000. On October 23, 2014, Kelli Miller resigned; the next day, Debra Roberson terminated Lee Miller. During a payroll audit, the new Human Resources Manager, Barber, discovered that Kelli Miller had been overpaid by $40,652 and Lee Miller by $30,136 over a seven-month period.

3. Failure to Pay into Public Employee Retirement System

Quest made monthly payments, as required, into the Public Employee Retirement System ("PERS") through October 2014. But Quest then voided the next payment and made no further payments until March 2015. Barber, the new Human Resources Manager, began working with PERS to resolve the issue in December 2014. But Olive told Barber to stop payments to PERS

until the proper amount could be calculated. In March 2015, Quest resumed payments to PERS to reduce future fines and fees associated with non-payment. According to PERS records, Quest's stop-payment resulted in a $538,989 under-payment. Quest made regular payments to PERS through September 2015. According to the forensic audit, on September 1, 2015, Quest and PERS reached an agreement to pay the past due amount of $320,192 in biweekly payments from September 2015 through December 2015. It is unclear how Quest could have made these additional payments given its financial condition at the time. As of October 2015, Quest was still three months behind in its payments to PERS. Today, Quest owes PERS $362,191.

D. Forensic Audit

Because of numerous irregularities in operations, including late financial submissions and requests for employees' relatives to serve on the Board, in September 2015, the SPSCA commissioned a forensic audit of Quest for the 2013-2014 and 2014-2015 school years. The audit revealed the extensive mismanagement detailed above.[16] On October 26, 2015, to prevent further harm and to promote the best interests of Quest's students and families, the SPSCA placed Quest in receivership.

[16] See Appendix B: Forensic Audit Materials.

## IV. RECEIVER OVERVIEW

The receivership team consists of Joshua Kern and his attorneys in Las Vegas, Nevada and Washington, D.C. The team members' relevant experience is described below.

### A. Joshua Kern

Joshua Kern serves as the Receiver for Quest Preparatory Academy. Mr. Kern has been the Managing Member of TenSquare, LLC since its inception. Based in Washington, D.C., with an office in New Orleans, LA, TenSquare is a national firm specializing in helping charter schools improve performance, acquire and finance sites and facilities, and achieve overall educational and growth objectives. TenSquare works with more than fifty charter schools in nine states, plus the District of Columbia. Before founding TenSquare, Mr. Kern cofounded Thurgood Marshall Academy Public Charter High School in the Anacostia neighborhood of Washington, D.C. Under Mr. Kern's leadership as President and Chief Executive Officer, Thurgood Marshall Academy garnered national recognition for the excellence and sustainability of its programs. Mr. Kern is a founding member of the DC Public Charter School Association, Vice Chair of the Board of Friends of Choice in Urban Schools (FOCUS), and an Advisory Board member of the National Public Charter School Resource Center. He is also a frequent speaker at national conferences and has appeared before Congress to discuss charter schools and related educational matters.

### B. Holley, Driggs, Walch, Fine, Wray, Puzey & Thompson

Richard F. Holley is local counsel for the Receiver, located in Las Vegas. Mr. Holley is a partner with the law firm of Holley Driggs Walch Fine Wray Puzey & Thompson and a member of the firm's executive management committee. Mr. Holley has practiced law for nearly twenty-nine years in the areas of bankruptcy and commercial litigation. Mr. Holley has received an AV

Preeminent Rating by Martindale-Hubble, which is given to fewer than five percent of attorneys. Mr. Holley was inducted as a Fellow in the American College of Bankruptcy in March 2011 and is one of only three practicing attorneys in Nevada to have received this honor. Mr. Holley has also been listed in the Best Lawyers in America for bankruptcy and creditor/debtor rights since 1996 and has been named as one of the top lawyers in the Mountain States by Super Lawyers in the categories of bankruptcy and debtor/creditor rights since 2007.

Ogonna Brown is local counsel for the Receiver, located in Las Vegas. Ogonna Brown is a shareholder with Holley Driggs Walch Fine Wray Puzey & Thompson, focusing her practice on bankruptcy reorganization, creditor/debtor litigation, secured party representation, and commercial litigation.

C. Miller & Chevalier Chartered

Andrew D. Herman is the Receiver's counsel in Washington, D.C. Mr. Herman is counsel at Miller & Chevalier Chartered. He practices in the areas of civil and criminal federal litigation with a focus on ethics and investigations. Mr. Herman has prevailed in the United States Supreme Court and represented clients before the United States Congress and federal juries. He recently represented a Washington, D.C., charter school in civil litigation.

Sarah Dowd is an associate at Miller & Chevalier Chartered. Ms. Dowd practices in the areas of civil and criminal federal litigation. Before her legal career, Ms. Dowd spent several years working in education outreach for the University of Wisconsin.

## V. ACTIONS TAKEN BY RECEIVER

After his appointment on October 26, 2015, the Receiver evaluated Quest's overall current liabilities and the viability of each campus. The Receiver has assumed control of all financial accounts and has stopped payment on all outstanding debts until each obligation can be evaluated for validity and necessity. The Receiver also began responding to several legal claims, seeking insurance payments from Philadelphia Insurance, Co., making initial staffing cuts, and reviewing accounting policies and procedures to develop a new financial management plan. The Receiver's initial goal, consistent with the SPCSA's purpose for appointing a receiver, is to address and resolve the immediate operational concerns without disrupting the current students' education.

### A. Evaluate Outstanding Financial Liabilities

The Receiver stopped payment on all outstanding financial liabilities until he could evaluate the validity of each obligation. Quest's total outstanding debt exceeds $2 million. For unsecured contract creditors, the Receiver will assess whether each contract was properly executed, whether Quest received the benefit of the agreement, and whether the contract was fraudulent in any way. If the Receiver determines that a contract was improperly executed, was entered into fraudulently or remains unfulfilled, Quest will not pay the outstanding debt. Where appropriate, the Receiver will also seek reimbursement through Quest's insurance policy with Philadelphia Insurance. If the contract was properly executed, fulfilled and not fraudulent, the Receiver will determine the amount that Quest can pay on the contract and seek a negotiated agreement from all parties for that payment.

The posture of Philadelphia Insurance, Quest's insurance provider, will be a significant factor in determining the school's financial viability. The Receiver is currently working with

Philadelphia Insurance to establish the amount of insurance coverage available to Quest. Then, the Receiver will be able to calculate the remaining debt and renegotiate with creditors and landlords. This process could be concluded in a few months or take a few years, depending on Philadelphia Insurance's response and the subsequent negotiations with individual creditors and landlords. Once the Receiver brings finality to Quest's outstanding financial obligations, Quest can return to independent governance.[17]

Quest's Outstanding Debts, excluding leases for real property, are as follows:

| | |
|---|---|
| Sprint Solutions, Inc. | $364,000.00 |
| TEQLease Capital | $356,755.78 |
| PERS | $362,191.00 |
| Tele-Data Communications, LLC | $429.92 |
| Univest Capital | $35,656.40 |
| Tracy J. Truman | $35,000.00 |
| Amplify Education Inc. | $50,000.00 |
| Discovery Education | $5,832.00 |
| Houghton Mifflin | $2,429.35 |
| McGraw-Hill Education | $2,307.74 |
| Pearson Education Inc. | $3,983.24 |
| CCSD Food Services | $11,142.44 |
| **Total** | **$1,229,727.87** |

[17] While returning to independent governance is one option, others include takeover by another charter school and closure.

1. Sprint Solutions, Inc.

As described in Section III.C.1, Olive entered into a three-year, $4.3 million contract with Sprint. The Board stopped payments on December 29, 2014, in response to ongoing problems with service and hardware. Tracy Truman, Quest's former counsel, negotiated a $390,000 settlement with Sprint, obligating Quest to pay $338,000 for services and $52,000 for equipment that Sprint had already provided.[18] The settlement released Quest from both the remaining 24 months of the contract and its obligation to purchase 2,000 devices. The Board approved the settlement agreement on July 11, 2015, and the new Board President, Timothy Zeidler, signed the agreement on July 13, 2015. Quest resumed payments to Sprint on March 16, 2015, and, as of the audit report date, had paid $137,059 to Sprint under the settlement. The Receiver has now halted payment until he can determine the validity of the initial contract. The Receiver will assess whether to cancel the contract or renegotiate terms to an amount that is reasonable for Quest's size. The Receiver may also pursue an errors and omissions claim for the outstanding liabilities through its policy with Philadelphia Insurance.

2. TEQLease Capital

David Olive and Kelli Miller authorized TEQLease Capital ("TEQLease") to supply furniture for Roberson, Torrey Pines, and another campus that never opened. Hertz Furniture Systems, LLC ("Hertz") supposedly was to supply the furniture to TEQLease and TEQLease, in turn, was to lease the furniture to Quest. The proposed lease would cost Quest $629,023 total, payable in four annual payments of $178,378.[19] Quest paid TEQLease $178,378 in May 2014 and again in $178,378 in May 2015 to TEQLease for a total of $356,676. TEQLease failed to remit the May 2015 payment to Hertz, but continues to hold the payment.

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[18] See Appendix H: Sprint Settlement

[19] See Appendix I: Unexecuted Agreement with TEQLease.

Hertz initiated litigation against TEQLease and Quest in the Superior Court of the State of California for the County of Los Angeles. [20] Hertz contends that it provided the furniture and equipment to TEQLease and is entitled to payment of the unpaid purchase price. TEQLease denies that it entered into a purchase agreement with Hertz and thus denies any liability for payment for the furniture and equipment. TEQLease has also filed a cross-complaint against Quest for declaratory relief and indemnification.[21] To date, Quest has yet to answer either the complaint filed by Hertz or the cross claim filed by TEQLease. Quest has retained California counsel, Daniel J. Kessler, of the law firm Burkhalter, Kessler, Clement & George, LLP to represent Quest in matter. Quest's answers to Hertz's Second Amended Complaint and TEQLease's Cross-Complaint are due February 29, 2016.

The Receiver plans to pursue an errors and omissions claim for the outstanding liability through its insurance coverage with Philadelphia Insurance.

3. PERS

Quest has three outstanding invoices from PERS totaling $362,191. Pursuant to its legal obligations, Quest plans to pay PERS. The Receiver has been in regular communication with representatives from PERS and will negotiate a repayment schedule once the school's overall financial situation is clearer.

4. Tele-Data Communications, LLC

The total outstanding debt under the Tele-Data contract is $429. The Receiver plans to pay that amount because this contract appears valid and the amount owed is de minimis.

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[20] See Appendix J: Hertz First Amended Complaint.
[21] See Appendix K: TEQLease Answer and Cross-Claim.

5. Univest Capital

Quest purchased teaching and staff equipment, including mimeographs and phone systems, on credit through Univest Capital; the contract is for $92,397.[22] Kelli Miller entered into this contract without board approval. The Receiver has stopped payments to Univest and will pursue an errors and omissions claim for the outstanding liabilities through its policy with Philadelphia Insurance.

6. Tracy Truman

Tracy Truman, Quest's former counsel, sued Quest for $35,000 in outstanding legal bills.[23] On January 15, 2016 he Receiver filed an Answer on behalf of Quest asking Truman to return all Quest files, which he currently holds. [24] Truman is asserting an attorney's lien on the files due to the alleged unpaid fees and is refusing to turn over any of Quest's files. Because Truman served as Quest's counsel during the period in question, the Receiver maintains significant concerns about his knowledge of and involvement in the transactions detailed in this Report.

7. Curriculum Contracts

After discovering asbestos in a classroom in summer 2014, Kelli Miller instructed the janitorial staff to destroy all books purchased through Amplify Education, Inc. and Houghton Mifflin. Destroying all books, including ones not in the affected classroom, was an extreme action taken without board approval. Kelli Miller then purchased replacement curriculum from Amplify Education, Inc. for $50,000. The Receiver has stopped payment and is pursuing an insurance payment from Philadelphia Insurance regarding this transaction.

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[22] See Appendix L: Univest Capital Agreement.
[23] See Appendix M: Truman Complaint.
[24] See Appendix N: Answer to Complaint.

Quest also has outstanding debt of $14,552 with four other curriculum providers: Discovery Education, Houghton Mifflin, McGraw-Hill Education and Pearson Education. The receiver has stopped payments on these contracts until the Receiver reviews their validity.

8. CCSD Food Services

Quest has outstanding debt to Clark County School District for $11,142 in food services. The receiver has stopped payments on these contracts until the school's financial situation is clearer.

B. Pursue Claims Concerning Former Board Members and Employees

The Receiver has filed two claims under the loss portion of its Philadelphia Insurance policy relating to Kelli Miller and Lee Miller. A payroll audit revealed that Quest overpaid Kelli Miller by $40,652 and Lee Miller by $30,136. The Receiver seeks to open two separate claims, each for the policy limit of $50,000. Quest hopes to recoup the entire amount from the policies, less the $1,000 deductible per claim.

The Receiver dismissed Debra Roberson, Quest's Superintendent and Site Administrator for Torrey Pines, on February 9, 2016. After dismissing Roberson, the Receiver promoted Janelle Veith, formerly the Director of Curriculum and Assessment, to Site Administrator at the Torrey Pines campus.

The Receiver is also investigating potential claims against David Olive and Kelli Miller for the contracts they signed without Board approval. The Receiver may also seek indemnity from them for any litigation regarding contracts executed without Board consent.

Quest also paid several brokers and developers for potential campus sites that were never developed. Quest was unable to recover over $764,000 that it invested in these sites, including

costs from its construction attempts.[25] The Receiver will attempt to recover the funds that were invested in these development projects, either from the developers or through a claim with Philadelphia Insurance.

C. Campus Evaluations

The Receiver is assessing the viability of each campus individually and the school as a whole. If the Receiver cannot recoup previous overpayments, resolve pending litigation and renegotiate reasonable future payments one or more individual campuses may have to close.

1. Torrey Pines

The Torrey Pines campus currently houses 742 students. Quest moved from Montecito to Torrey Pines for the 2015 school year, after the Montecito lease expired. Quest could have renewed the lease for Montecito, which was in a more suitable location for a school and less expensive. Instead, Torrey Pines moved to a business park with three permanent buildings and eight portable classrooms.[26] Four of the portables are leased for one year; the other four portables were leased for two years. All eight portables have two-year permits which end summer 2017.

With a comprehensive build-out plan, Torrey Pines could be a suitable campus.[27] But the campus as currently built is not an appropriate long-term home for the school. While the building floorplans vary, the landlord has taken some steps to provide the campus with a more academic setting, adding a small playground, large cafeteria, perimeter fencing and marked floor tiles; but much more must be done. The lease currently costs 15% of total campus revenue.[28]

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[25] See Appendix O: Transactions Related to New Facilities.
[26] See Appendix P: Torrey Pines Lease.
[27] See Appendix Q: Torrey Pines Build-Out Plan.
[28] See Appendix R: Chart of Lease Costs per Campus.

The landlord has allowed Quest to defer rent for four months while the Receiver attempts to renegotiate the lease. Even if they can agree on a more affordable lease, the space must be upgraded to provide appropriate facilities for a school. If the space cannot be transformed to an acceptable school environment, the campus should be closed. The Receiver has begun negotiations with the landlord, but these negotiations may take some time to complete. If the above conditions can be met, the Receiver recommends keeping the Torrey Pines campus open at its current location.

2. Alexander

The Alexander campus is financially sustainable. It houses 67 students at full capacity and mortgage costs are 12% of total campus revenue.[29] The building functions well as a kindergarten campus. While it is an older building, it is not in disrepair. Quest is servicing the debt on the Alexander campus.

3. Roberson

The Roberson campus is a two-story building, also located in a business park.[30] Unlike Torrey Pines, the business park is vibrant and has other tenants. But because the business park does not have sports facilities or field space, Roberson rents additional space for sports activities from the YMCA. The Roberson space is less functional and more expensive on a per student basis than the previous campuses discussed. With a Special Use Permit allowing only 215 students, the Roberson lease is 44% of total campus revenue.[31]

Quest has stopped paying rent for the space and will either renegotiate the lease or close the campus. The landlord, who also owns the Torrey Pines property, has allowed Quest to remain

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[29] See Appendix R: Chart of Lease Costs per Campus.
[30] See Appendix S: Roberson Lease.
[31] See Appendix R: Chart of Lease Costs per Campus. In January 2016, Quest moved 103 students from Roberson to the Torrey Pines campus to meet the 215 maximum allowable student requirement under the existing Special Use Permit.

on campus despite four months of nonpayment. Even if the lease is renegotiated to an appropriate cost, it is not clear that this space is appropriate for high school students.

Due to other tenants' complaints at the business park, the Las Vegas City Council is reviewing Quest's Special Use Permit which expires in July 2016. If the Special Use Permit is not renewed in July, the campus would need to close immediately, creating a significant hardship for the families enrolled at Roberson for the 2016-2017 school year.

4. Bridger

The Bridger campus is located in an older building appropriate for use as an elementary school. The antiquated fire alarm system requires an upgrade and maintenance costs continue to accumulate. Bridger has a capacity of 208 students and is Quest's most expensive campus; the lease costs 61% of total campus revenue.[32]

This cost is due in part to the CFEF sublease agreement.[33] CFEF pays $27,878 per month to lease the property, but charges Quest $43,034.44 per month.[34] This increased cost has exacerbated the problems posed by this financially unsustainable property.

When Olive held positions at Quest and CFEF, he delayed Bridger's rent payments to CFEF to accommodate increased expenditures from expansion and infrastructure contracts. After Olive stepped down, CFEF issued Quest a notice to pay rent or quit for its failure to pay rent on the Bridger campus since February 1, 2015.[35] The Receiver responded on December 15, 2015, detailing why the sublease is unenforceable; CFEF promptly withdrew the notice to quit.

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[32] See Appendix R: Chart of Lease Costs per Campus.
[33] Relationship and lease described in III.B.1, *infra*.
[34] See Appendix E: Bridger Sublease August 2014.
[35] See Appendix T: Five-Day Notice to Pay Rent or Quit.

The Receiver has stopped payments to CFEF and has been negotiating directly with the landlord who has expressed a willingness to reduce the rent. Even if the lease is renegotiated to an appropriate cost, the space must be upgraded to be appropriate for a school.

5. Additional Spaces

Quest Academy has a lease for executive suites at the Azure Business Park[36] and sports facilities at the YMCA of Southern Nevada.[37] Quest signed these leases to acquire additional space for the business office even before Roberson moved to Azure Drive, and to rent classrooms and gymnasium spaces when other space was inadequate. The landlord has expressed a willingness to find a new tenant for the Executive Suites to assume Quest's space. The YMCA lease is $14,750 per month. The Receiver worked with the YMCA's Executive Director to replace the expensive and underused agreement. Under a new agreement, the Quest will pay on a use-basis, saving considerable money and maintaining sports facilities for the students.

D. Rightsize Staff

To meet the budget shortfall, Quest needed to rightsize its staff. The Receiver approved adjusting salaries and recommended downsizing staff. On October 16, 2015 and effective for November 10 payroll, salaries were reduced across the board in the following manner:

- Reduce salaries greater than $90,000 by 15%;
- Reduce salaries from $80,000 to $90,000 by 10%;
- Reduce salaries from $70,000 to $79,999 by 5%;
- Reduce salaries less than $70,000 by 2%.

Additionally, the Receiver combined responsibilities in several positions to streamline processes and reduce performance time. Other positions were simply unnecessary and, therefore,

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[36] See Appendix U: Executive Suites Lease.
[37] See Appendix V: YMCA Lease.

eliminated. The Receiver assessed rightsizing recommendations based on the position's criticality, performance and cost. To minimize the direct effect on student schedules and curriculum, cuts are planned in phases. Cuts have been made on a rolling basis since September and saved over $400,000 .[38]

E. Implement Financial Management and Capacity Plan

Quest's current financial management system faces several obstacles. The financial management structure and processes have numerous shortcomings. Prior to the Receiver's appointment, attempts to address issues with financial management were both sporadic and unsuccessful.

1. Shortcomings of the Current System

When the receivership began, Quest was using the 2012 QuickBooks Accountant software to manage most of its financial information. This software is no longer supported by Intuit Software and had to be replaced. The hardware used to access this information is antiquated and unreliable. The licenses were loaded individually, providing user overlap issues and multi-user interface problems. Quest's antiquated processes created heavier workloads. Processes like envelope stuffing for bill payment, manual data entry and the use of insufficient technology increase errors, created delays and reduced productivity.

Due to tight resources and constant turnover, the financial department has remained understaffed. Partial and incomplete staffing has created unrealistic workloads, consolidated roles and responsibilities, and a reduced capability to perform checks and balances. In many cases shorthanded staffing resulted in untimely information. The staff's limited knowledge of

[38] See Appendix W: Payroll Reduction.

fundamental concepts and techniques used in financial management allowed for uninformed decision-making and lead to misunderstanding the school's financial status.

During previous fiscal years, Quest experienced multiple cases of self-dealing, inadequate bookkeeping, high personnel turnover in the financial department and lost, voided or deleted data in the accounting system. The reporting process produced incomplete, inconsistent and unreliable information.

Resource allocation decisions become more difficult when the budget fails to fully recognize all activities. The 2014-2015 fiscal year budget was unrealistic at $12 million, over $3 million more than capacity enrollment numbers could justify. Expenditure expectations were vague and generalized, allowing off-budget expenditure decisions to become the norm. The approved budget was not entered into the accounting system to allow for timely tracking of estimated versus actual reporting. The 2015-2016 FY Budget was developed more practically, based on anticipated enrollment; however, anticipated expenditures were presented as vaguely as the previous year.

2. Financial Management Plan

In order to rectify these shortcomings, the Receiver recommends the software, responsibilities and policy changes detailed below.

The Receiver purchased updated accounting software and implemented the software on a server-based system, which allows multiple users to interface the system concurrently. Bundled with the purchase is a free upgrade to the 2016 QuickBooks Accountant edition, allowing for support from the software company through 2020. To be most effective, Quest should upgrade the software not less than every two years. This will keep pace with system changes and reduce training and implementation costs.

Using software Quest already owns in new ways can improve the purchase-request process and other workflow processes. For example, using SharePoint from Office 360 for Education will increase performance and reduce errors. SharePoint is a structured internal share drive allowing school-wide access to documentation, forms and templates. Additional software solutions will also be required. The payroll system and accounting system are completely independent, requiring a solution for transporting information from one system to the other to allow for tracking payroll costs against the budget without time-consuming manual entry.

While technological advances can increase productivity and reduce performance time, the financial department still requires increased staffing to match the demand of daily activities. The Receiver has redefined Quest's essential financial roles and has delineated auditable roles and responsibilities. Taking these steps insures increased work performance, reduced workloads and increased oversight of financial activities. The new financial roles include the following:

- Chief Financial Officer or Controller: Report to the Receiver. Responsible for annual planning and budgeting processes, facilitating and advising on financial decision-making, and establishing and maintaining sound financial policies, procedures, systems and controls for the School. Perform day-to-day management of the School's financial operations, including allocating resources to serve the needs of the School. Review payroll reports for accuracy and entry into the accounting system for payment. Prepare and report monthly financial reports to the Board. Review Purchase Requests for approval. Manage and reconcile bank accounts, credit card accounts and other lines of credit. Prepare and print checks, perform bill pay operations, and prepare transfers as required. Match invoices to checks, obtain all signatures for checks and distribute checks

accordingly. Prepare, submit, and maintain all local, state, and federal financial reporting as required.

- Accounts Payable: Report to the CFO. Review all invoices for appropriate documentation and approval prior to payment. Prioritize invoices according to cash discount potential and payment terms. Process check requests. Audit and process credit card bills and match to statements. Respond to all vendor inquiries. Reconcile vendor statements, research and correct discrepancies. Assist in month end closing. Maintain files and documentation thoroughly and accurately, in accordance with company policy and accepted accounting practices. Assist in annual audit reporting. Assist CFO as needed.
- Purchasing: Report to the CFO. Assist in budget development process regarding anticipated expenditures including federal, state and local funding, fundraising, and sports and intramurals activities. Prepare purchase requests for approval. Develop Purchase Orders to track against budget line items within the accounting system. Manage purchasing activities based on approved Purchase Requests. Sort and distribute incoming mail. Match invoices to approve Purchase Requests for processing. Assist CFO as needed.

School decision-makers must have an understanding of fundamental financial concepts and reporting. Training current staff in fundamental financial management techniques and employing seasoned financial personnel in key positions will accomplish this goal.

The Receiver is helping to develop an audit policy which will promote timely oversight of the financial system, in turn, allowing for prompt remedial action. By developing clear roles and responsibilities, each position will have a chain of command that allows for weekly review of work performed. By using the accounting Audit Trail and data entry calendar, Quest can

perform consistent financial reviews and analyze report data. Thus, work performed can be evaluated and errors identified. The school will also develop a Financial Policies and Procedures Manual that reflects Nevada Revised Statutes by using the Nevada Department of Education Suggested Model Financial Policies for Nevada Charter Schools, and the SPCSA policies that govern Quest.

The CFO is responsible for creating an accurate and precise budget. The CFO will deliver the budget message and actual budget document to the budget committee when they are complete. Proper budgeting procedures allow the school to conduct comprehensive planning and budget development, leading to increased capability to perform and track expenses against anticipated costs. Budget preparation will consist of the following process:

- Fiscal Management Goals: The Receiver will review the fiscal needs of the charter school annually, considering instruction, capital outlay, building improvements and adjustments to accommodate any growth or decline of student enrollment or charter school area. The Receiver encourages input from staff, parents, and members of the community as a part of the review and recommendation process. After considering the recommendations, the Receiver will adopt fiscal goals for the school year. The charter school budget will be prepared in full compliance with NRS 386.550 and NAC 386.370.
- Budget Preparation: The CFO has the overall responsibility for budget preparation and will develop such procedures necessary to ensure that the proposed budget reflects all areas of charter school operation. The CFO and the Receiver will establish budget priorities for the charter school and will make appropriate recommendations related to those priorities.

F. Performance Audit

The Receiver will soon conduct a performance audit of each campus in preparation for the 2016-2017 school year.

## VI. CONCLUSION

When the Receiver was appointed on October 26, 2016, Quest was in such a desperate financial position that, in addition to its inability to pay over $2 million in outstanding debt, the school was days away from being unable to make payroll. With the cooperation of some creditors and landlords, Quest may be able to achieve solvency. Quest faces a long road before it can emerge from receivership as a stable, high-functioning charter school operating under the oversight of a traditional governing board. The key next steps for the Receiver in cooperation with the SPCSA include:

- Deciding whether to close the Roberson campus;
- Negotiating new leases at Bridger and Torrey Pines;
- Resolving outstanding legal matters with certain creditors;
- Initiating claims and suits to recover funds;
- Initiating comprehensive performance audit in preparation for next year
- Continuing to investigate prior wrongdoing and potentially recommend that the government pursue civil and/or criminal complaints against certain former board members and administrators.

# Appendices to Preliminary Report for Quest Preparatory Academy

February 22, 2016

Prepared by Joshua Kern, Receiver

# Appendix A

## DETAILED QUEST PROFILE

While the Torrey Pines campus opened in 2015, its history extends to Quest's first school. When Quest opened its doors in 2008, it leased space at the Durango Hills YMCA. During its tenure at Durango Hills, Quest served 248 students in kindergarten through fifth grade (2008-2009) and 332 students in kindergarten through sixth grade (2009-2010). For the 2010-2011 school year, Quest moved its campus to 6610 Montecito Parkway. During its tenure at Montecito, Quest served 527 students in kindergarten through seventh grade (2010-2011) and 600 students in kindergarten through eighth grade (2011-2012). In 2012, Montecito became one of three campuses. For the next three years, Montecito served kindergarten through seventh grade. When the Montecito lease expired, Quest moved the campus to Torrey Pines for the 2015-2016 school year. Today, Torrey Pines, located at 4660 North Rancho Drive, serves 742 students in kindergarten through sixth grade. Thirty-three percent of Torrey Pines' students participate in the Free or Reduced Lunch program. Torrey Pines employs thirty-eight instructional staff members, eight support staff members, and one site administrator.

The Alexander campus, located at 7550 West Alexander Road, opened in 2012 and serves only kindergarten students. During the 2015-2016 school year, it served sixty-seven kindergarteners. Twenty-one percent of Alexander's students participate in the Free or Reduced Lunch program. Alexander employs three instructional staff members and two support staff members.

Quest's high school campus first opened in 2012 at the Heinrich YMCA. During the 2012-2013 school year, it served students in eighth through twelfth grade. In 2014, the high school campus relocated to 7485 Azure Drive and changed its name to Roberson. During the 2015-2016 school year, its 323 students were enrolled in seventh through twelfth grade. Twenty-

five percent of students on the Roberson campus participate in the Free and Reduced Lunch program. Roberson employs eighteen instructional staff members, six support staff members, and one site administrator. Roberson is currently working to gain state accreditation in a process that began in 2014.

The Bridger campus, located at 1300 East Bridger Avenue, opened in 2014 serving kindergarten through fifth grade. During the 2015-2016 school year, Bridger enrolled 150 students and employed eighteen instructional staff members, six support staff members, and one site administrator. Sixty percent of students on the Bridger campus participate in the Free or Reduced Lunch program.

Quest’s central office houses eight administrators: Superintendent, Executive Assistant to the Superintendent, Controller, Human Resources Director, Human Resources Generalist, Office Director, and Curriculum Director. Quest also employs a Special Education Coordinator who serves all four campuses.

# Appendix B

# Nevada State Public Charter School Authority

## Final Summary

### Quest Preparatory Academy

The Final summary below will provide an overview of the assessment and analysis of Quest Preparatory Academy located in Las Vegas, Nevada for the review period, School years July 1, 2013 to June 30, 2014 and July 1, 2014 to June 30, 2015. To gain an understanding of Quest Preparatory Academy's operations, information was collected from interviews conducted with Quest Preparatory Academy staff and former and current Governing Board Members, Governing Board minutes, Bank Statements, Accounting records in QuickBooks, and agreements and contracts entered into on behalf of Quest Preparatory Academy. Nevada Administrative Code (NAC), Nevada Revised Statues (NRS), and Quest Charter Academy Governing Board Bylaws were read to determine compliance with the therein prescribed procedures. In this summary, an overview of the following areas will be provided:

- Chartered for Excellence Foundation
- Nepotism
- Contract Execution Before Governance Approval
- Public Employee Retirement System

In addition, the 2013-2014 Annual Independent Audit Report issued by WSRP, LLC on October 31, 2014 was read and an interview was conducted with Bryce Wisan, Partner at WSRP, LLC. The 2013-2014 Annual Independent Audit Report included an Unqualified Opinion on the financial statements of Quest Preparatory Academy with an emphasis of matter regarding "Going Concern". According to Quest Preparatory Academy financial statement Note 19 – Going Concern, "the School's monthly expenses were higher than its funding for the first three months of the school year. Those factors create an uncertainty about the School's ability to continue as a going concern."

### Chartered For Excellence Foundation[1]

Chartered for Excellence Foundation (CFEF) is a foundation that was created by David Olive, then Governing Board President of Quest Preparatory Academy, as a non-profit purportedly for the benefit of Quest Preparatory Academy. During the investigation, a number of potential conflicts of interest between Quest Preparatory Academy and CFEF were observed. CFEF was incorporated on January 31, 2014. The registering agent is listed as Anthony Barney and original officers were as follows: Kelli Miller (secretary), David Olive (listed as president and director), and Debra Roberson (treasurer) and Anthony Barney (director). **At the time of incorporation, all these individuals were also affiliated with Quest Preparatory Academy.** The executed independent contractor agreement between Quest Preparatory Academy and CFEF, was signed by David Olive as the president of the Governing Board on behalf of Quest Preparatory Academy and by Kelli Miller on behalf of CFEF as the Secretary on May 17, 2014. **At the time of this agreement, both David Olive and Kelli Miller were part of Quest Preparatory Academy – David Olive as the Governing Board President and Kelli Miller as the Director of Innovation and Grants.** In February 2015, Anthony Barney resigned from the Quest Preparatory Academy Governing Board and was hired as CFEF's attorney (paid position) in June 2015. As of August 20, 2015, CFEF's website names David Olive, Debra Roberson and Stephanie Gabany, Executive Administrative Assistant for Quest Preparatory Academy, as the Board of Directors of CFEF. Debra Roberson and Stephanie Gabany resigned from the Board of Directors of CFEF in June and July 2015, respectively.

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[1] NRS 281A.420 prescribes requirements regarding disclosure of conflicts of interest.

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# Nevada State Public Charter School Authority

## Final Summary

According to an email received from David Olive on July 17, 2015, "Quest Preparatory Academy currently has an executed lease with Chartered for Excellence. Given light of the circumstances surrounding your audit of Quest Preparatory Academy it should suffice to know that no employees of Quest Preparatory Academy work for Chartered for Excellence, sit as a serving member of the governance board of Chartered for Excellence or have affiliation with Chartered for Excellence outside a landlord/ tenant relationship."

### Bridger Campus[2]

According to a copy of a building and improvement lease provided by Spencer Gunnerson[3], Governing Board President of Quest Preparatory Academy prior to David Olive, CFEF leased the Bridger Campus property from CSP – Bridger Ave., LLC on July 9, 2014 for an amount of $27,066.67 per month (subject to 3% per annum increase) with a term of 25 years. According to the Nevada Secretary of State records, CSP-Bridger Ave. LLC, is an active limited liability company, which was incorporated in Nevada on July 9, 2014. The sole manager and registered agent for this company is listed as Lawrence W. Rieder, a Nevada resident. On August 6, 2014 CFEF sub-leased the Bridger campus property to Quest Preparatory Academy for an amount of $41,778 per month (subject to 3% per annum increase) for a term of 25 years. The lease was signed by Kelli Miller (Director of CFEF) on behalf of CFEF and David Olive (Governing Board President of Quest Preparatory Academy) on behalf of Quest Preparatory Academy. At this time, David Olive was the President of both CFEF board and Quest Preparatory Academy's Governing Board. Quest Preparatory Academy began making monthly lease payments in January 2015 for $41,778 to CFEF. According to Spencer Gunnerson, the landlord of the property, CSP-Bridger Ave., LLC, leased CFEF the Bridger property to be sub-leased to Quest Preparatory Academy based upon an oral agreement that the lease amount of $27,066.67 be passed directly through CFEF to Quest Preparatory Academy.

### Nepotism[4]

Three relatives of David Olive, then Governing Board President of Quest Preparatory Academy, were hired for positions at Quest Preparatory Academy. Kaye Lynn Olive, David Olive's mother was hired on February 24, 2014 as a Business Office Specialist for an annual salary of $35,000. Subsequently, at end of October 2014, Kaye Lynn Olive was moved to the payroll department to assist Teresa Barber, Human Resources Manager of Quest Preparatory Academy. According to Teresa Barber, Kaye Lynn Olive was let go because there had been "little mistakes" in payroll. Her last day was August 14, 2015. John Thomas Olive, David Olive's uncle, was hired on May 18, 2014 as the Properties and Maintenance Manager for an annual salary of $45,000. In January 2015, David Olive became an independent contractor and resigned in June 2015. James B. Olive, David Olive's father was hired on July 7, 2014 as the Facilities Project Manager for an annual salary of $60,000. James B. Olive had no prior facilities project management experience. James Olive resigned from his position at Quest Preparatory Academy on July

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[2] NAC 386.3265 prescribes requirements regarding the amendment of written charter and request to occupy new or additional facility. NRS 281A.420 prescribes requirements regarding disclosure of conflicts of interest.

[3] The unexecuted Building and Improvement lease provided by Spencer Gunnerson was signed by Kelli Miller on behalf of CEFE as the Director of CEFE, but the lease was not signed by the landlord, CSP-Bridger Ave., LLC.

[4] NRS 281.210 prohibits Officers of State, political subdivision and Nevada System of Higher Education from employing relatives and describes exceptions and penalties.

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# Nevada State Public Charter School Authority

## Final Summary

23, 2015. According to the "conditions of hiring" of the Employment contract for Quest Preparatory Academy, employment is conditioned upon satisfactory completion of a background check and satisfactory completion of a drug test. According to Teresa Barber, Human Resources Manager of Quest Preparatory Academy, drugs tests were not on file for Kaye Lynn, John and James Olive. The HR file shows Kaye Lynn Olive was fingerprinted and background check results were negative. There is no record of fingerprint and background checks in the HR file for John and James Olive.

## Contracts Execution before Governance Approval

### Salary Increase

David Olive, then Governing Board President of Quest Preparatory Academy, unilaterally executed and approved a new contract for Debra Roberson on June 1, 2014 prior to presentation and approval of the Governing Board. The contract increased her salary from the Governing Board approved level of $108,000 as the Quest Principal to $175,000, and changed her role from Quest Principal to Superintendent. The contract was signed by David Olive and Lee Miller, then Human Resources Manager of Quest Preparatory Academy, based on the incorrect assumption that the salary could be increased to reflect the added responsibilities of an additional campus and increased student enrollment for the school year 2014-2015. The board voted to adopt the $175,000 Superintendent contract for Debra Roberson at the November 14, 2014 Governing Board meeting.

### Sprint Contract

On July 7, 2014, David Olive, then Governing Board President of Quest Preparatory Academy, signed a 36 month contract with Sprint Solutions, Inc. without Governing Board approval. The contract committed Quest Preparatory Academy to purchase a minimum of 2,000 devices (laptops and IPads) and each device had a monthly service charge of $59.99. At the full term of 36 months, the total price of contract would have been $4,319,280. The enrollment for school year end 2014 and 2015 was 863 and 1,460, respectively. Due to technology issues and the large contract cost, at the meeting on July 11, 2015, the Governing Board voted to approve a proposed $390,000 settlement agreement between Sprint Solutions, Inc. and Quest Preparatory Academy, and authorized Timothy Zeidler, current Governing Board President, to sign on behalf of Quest Preparatory Academy. The settlement agreement was signed on July 13, 2015. According to the agreement, "the settlement amount represents $338,000 for services previously provided by Sprint and $52,000 for equipment previously provided by Sprint." According to QuickBooks payables information, Quest Preparatory Academy started making payments to Sprint on March 16, 2015. Since then, a total of $137, 059.44 in payments has been paid to Sprint. Chartered for Excellence Foundation asked parents to make a $100 payment to CFEF for a technology fee. According to Melisa Hester, this was not related to the Sprint Contract.

### Bridge Loan[5]

David Olive, then Governing Board President of Quest Preparatory Academy, and Kelli Miller, then Director of Innovations & Grants of Quest Preparatory Academy, signed a factoring agreement between Quest Preparatory Academy and Charter Asset Management Fund, LP for $200,000, dated September

[5] NRS 241.020 requires meetings to be open and public and also states exceptions to this requirement.

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# Nevada State Public Charter School Authority

## Final Summary

25, 2014 at cost of $10,704.94 prior to approval from the Governing Board. The Governing Board of Quest Preparatory Academy voted to approve the $200,000 factoring agreement dated September 25 on October 1, 2014. On October 7, 2014, prior to Governing Board approval, David Olive and Kelli Miller entered into a factoring agreement on behalf of Quest Preparatory Academy for $400,000 from Charter Asset Management Fund, LP at a cost of $28,435.26. At the Governing Board meeting on October 21, 2014, no presentation was made to disclose the additional loan taken on Quest Preparatory Academy's behalf. The Governing Board voted to ratify the $400,000 agreement at the Governing Board meeting on November 14, 2014. Deposits from Charter Asset Management Fund, LP. were used to cover payroll due to the delay in increased Distributive School Account (DSA) payments.

### Public Employee Retirement System[6]

In August 2013, PERS froze Quest Preparatory Academy's account due to overpayments each month. In December 2014, Teresa Barber became the Human Resources Manager. She determined the error was due to an incorrect calculation of the contribution rate for employee salaries and began working with PERS representatives to resolve the issue. In December 2014, David Olive, then Governing Board President of Quest Preparatory Academy, verbally told Teresa Barber to not make payments until the issue was resolved. In February 2015, payments to PERS were resumed. According to PERS documentation, provided by the State Public Charter School Authority (SPCSA) on August 31, 2015, Quest Preparatory Academy is $538,948.51 behind on their PERS contributions. On September 1, 2015, an arrangement was made between Quest Preparatory Academy and PERS to pay off the past due amount of $320,191.52. Under this agreement, repayment was to begin September 2015 and will be made every two weeks until December 2015, at which time Quest Preparatory Academy will be caught up with their PERS payments. The PERS attorney was consulted prior to accepting Quest Preparatory Academy's proposal, however, a written agreement has not been received by Quest Preparatory Academy.

[6] NRS 286.288 defines the responsibility related to inaccurate or misleading information of participating public employers.

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# Forensic Analysis

Quest Preparatory Academy

# Quest Preparatory Academy

## Chartered For Excellence Foundation – Conflicts of Interest

**Observation**

**All individuals that were part of Chartered for Excellence Foundation (CFEF) when it was incorporated on January 31, 2014, were also associated to Quest Preparatory Academy, either as a Governing Board member or through employment.**

## Key Findings

- CFEF was incorporated on January 31, 2014. The registering agent is listed as Anthony Barney and original officers were as follows: Kelli Miller (secretary), David Olive (listed as president and director), Debra Roberson (treasurer) and Anthony Barney (director). **At the time of incorporation, all these individuals were also affiliated with Quest Preparatory Academy.**
- The executed independent contractor agreement between Quest Preparatory Academy and CFEF, was signed by David Olive as the president of the Governing Board on behalf of Quest Preparatory Academy and by Kelli Miller on behalf of CFEF as the Secretary on May 17, 2014. **At the time of this agreement, both David Olive and Kelli Miller were part of Quest Preparatory Academy**
- In February 2015, Anthony Barney resigned from the Quest Preparatory Academy Governing Board and was hired as CFEF's attorney (paid position) in June 2015.
- Debra Roberson and Stephanie Gabany resigned from the Board of Directors of CFEF in June and July 2015, respectively.
- Email received from David Olive on July 17, 2015, "Quest Preparatory Academy currently has an executed lease with Chartered for Excellence. Given light of the circumstances surrounding your audit of Quest Preparatory Academy it should suffice to know that **no employees of Quest Preparatory Academy work for Chartered for Excellence, sit as a serving member of the governance board of Chartered for Excellence or have affiliation with Chartered for Excellence outside a landlord/ tenant relationship."**



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# Quest Preparatory Academy

## Chartered For Excellence Foundation – Bridger Campus

**Allegation**

**David Olive, entered into, and signed a lease on behalf of CFEF with CSP – Bridger Ave., LLC for the Bridger Campus and CFEF sub-leased the property to Quest Preparatory Academy at a higher amount.**

## Key Findings

- According to a copy of the lease, CFEF leased the Bridger Campus property from CSP – Bridger Ave., LLC on July 9, 2014 for $27,066.67 per month with a term of 25 years. This lease was signed by Kelli Miller on behalf of CFEF but was not signed by CSP – Bridger Ave.,LLC.
- On August 6, 2014 CFEF sub-leased the Bridger campus property to Quest Preparatory Academy for an amount of $41, 778 per month for a term of 25 years.
  - The lease was signed by Kelli Miller on behalf of CFEF and David Olive on behalf of Quest Preparatory Academy.
  - **At this time, David Olive was the President of both CFEF board and Quest Preparatory Academy's Governing Board.**
- **Timothy Zeidler, current Governing Board President , did not know about the per month amount difference of $14,771.33 between the two leases before becoming the Governing Board President on July 11, 2015.**
  - The difference in amount between the two leases, came to light when Timothy Zeidler received an email from CFEF's attorney Anthony Barney regarding Quest Preparatory Academy being behind on their monthly sub-lease payments to CFEF.
  - Timothy Zeidler immediately forwarded the email to Quest Preparatory Academy's attorney Tracy Truman and as of September 17, 2015, **Tracy Truman is in the midst of discussion with Anthony Barney.**
  - **In his opinion, he would not have agreed to the current sub-lease terms because it is for an "absurd amount".**



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# Quest Preparatory Academy

## Nepotism

**Allegation**

**David Olive, then Governing Board President of Quest Preparatory Academy, was able to use his influence and power in getting Quest Preparatory Academy to hire his family members.**

## Key Findings

- Kaye Lynn Olive (Mother) – hired on February 24, 2014, as a Business Office Specialist for an annual salary of $35,000. **Teresa Barber wanted to terminate Kaye Lynn Olive due to the "little mistakes" she made in payroll but was unable to do so because she was David Olive's mother.**
- John Thomas Olive (Uncle) – hired on May 16, 2014, as the Properties and Maintenance Manager for an annual salary of $45,000
- James B. Olive (Father) – hired on July 7, 2014, as the Facilities project Manager for an annual salary of $60,000. **If Teresa Barber was to get his resume today, she would not hire him because he had no project management experience.**
- **If Teresa Barber was to hire a Facilities Project Manager and a Properties and Maintenance Manager today, the offered salary would be $45,000 and $35,000 respectively.**
- Employment at Quest Preparatory Academy is conditioned upon satisfactory completion of a background check and a drug test. According to Teresa Barber, Human Resources Manager of Quest Preparatory Academy, there are no drug tests in the HR file for Kaye Lynn, John and James Olive, and only Kaye Lynn Olive was fingerprinted.
- According to a letter dated February 20, 2015, approval was granted by Dale A.R Erquiaga, Superintendent of Public Instruction, pursuant to the provisions of NRS 281.210(2)(a) for Kaye Lynn Olive, James B. Olive and John Thomas Olive to work for Quest Preparatory Academy. **All three of these individuals were hired by Quest Preparatory Academy in 2014.**
    - According to NAC 386.345, **only the State Public Charter School (SPCS) has the authority to approve a person who is related by blood or marriage to an employee of the governing body or charter school.**



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# Quest Preparatory Academy

## Contract Execution Before Governance Approval - Bridge Loan

**Allegation**

**David Olive, then Governing Board President of Quest Preparatory Academy, entered into, and signed a bridge loan agreement on behalf of Quest Preparatory Academy prior to presentation and approval of the Governing Board.**

## Key Findings

- On September 24, 2014, funds in the amount of $200,000 from Charter Asset Management Fund, LP were wired into Quest Preparatory Academy's operating account, account ending 7909.
- **On September 25, 2014, David Olive and Kelli Miller signed on behalf of Quest Preparatory Academy, a factoring agreement with Charter Asset Management Fund, LP for $200,000.**
- On October 1, 2014, David Olive presented for **board approval** an unsecured Promissory Note in the amount of $200,000 at a cost of $10,704.94 from Charter Asset Management Fund, LP. The Governing Board voted to approve the $200,000 loan.
- **On October 7, 2014, David Olive and Kelli Miller signed on behalf of Quest Preparatory Academy a factoring agreement for $400,000 with Charter Asset Management Fund, LP at a cost of $28,435.26.**
- On October 7, 2014, funds in the amount of $400,000 were deposited into the operating account ending 7909 from Charter Asset Management Fund, LP.
- According to the October 1, 2014 and October 21, 2014 Governing Board minutes there was no discussion of the October 7, 2014 factoring agreement.
- On November 14, 2014, the Governing Board voted to **ratify** the contract with Charter Asset Management Fund, LP in the amount of $400,000.



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# Quest Preparatory Academy

## Contract Execution Before Governance Approval - Sprint Solutions Inc.

**Allegation**

**David Olive, then Governing Board President of Quest Preparatory Academy, appears to have unilaterally made the decision to award a contract to Sprint Solutions, Inc. prior to seeking Governing Board approval.**

## Key Findings

- On July 7, 2014, David Olive, signed a 36 month contract with Sprint Solutions, Inc.
  - If fully executed, the total price of the contract would have been $4.3 million.
  - The contract committed to purchase of 2,000 devices and each device had a monthly service charge of $59.99 (enrollment for school year end 2014 and 2015 was 863 and 1,460, respectively.)
- According to the Governing Board meeting minutes, **there was no discussion, reference, evaluation or approval by the Governing Board for the proposed contract between Quest Preparatory Academy and Sprint Solutions, Inc. prior to David Olive's signing of the contract.**
  - **The first documented discussion** around the Sprint Solutions, Inc. contract was found in the December 29, 2014, Governing Board meeting minutes. According to the minutes, "Board determination is needed to address whether or not to continue the Sprint Technology Services Contract as it currently exists for the school's computers and service or to exercise the termination clause in the contract with Sprint." **"President Olive: Issues with service and hardware. Options to terminate contract. Have held off on payment to Sprint due to non-performance on contract. May not be fiscally responsible to continue with service contract."**
- On July 11, 2015, **due to continuous technological issues and high contract cost, the Governing Board voted to approve a proposed $390,000 settlement agreement. The agreement was signed on July 13, 2015.** $390,000 represents $338,000 for services and $52,000 for equipment previously provided by Sprint.



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# Quest Preparatory Academy

## Contract Execution Before Governance Approval - Salary Increase

**Allegation**

**David Olive, then Governing Board President of Quest Preparatory Academy, unilaterally executed and approved a salary increase to Superintendent Debra Roberson's contract, prior to presentation for consideration and approval of the Governing Board.**

## Key Findings

- On May 6, 2013, Debra Roberson, then interim Principal of Quest Preparatory Academy, was chosen as the permanent Principal of Quest Preparatory Academy.
- On June 18, 2013, the Governing Board voted to approve a two year Principal contract for Debra Roberson for $108,000.
- **On May 20, 2014, David Olive sent an email to Lee Miller stating "After much consideration I think that we need to change Deb's title to Superintendent and pay her $175,000 a year effective June 1st. This would be due to the number of campuses we will have this year."**
- **On June 5, 2014, David Olive and Lee Miller signed a contract for Debra Roberson for the position of Superintendent. The contract for Superintendent of Quest Preparatory Academy was from June 1, 2014 to June 30, 2020 for an annual salary of $175,000**
- On October 27, 2014, Debra Roberson sent an email to Morgan McAdorey requesting that her salary be adjusted to $108,000.00 until full board approval.
- The Governing Board voted to **adopt** the contract signed by David Oliver and Lee Miller for one year.



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# Quest Preparatory Academy

## Public Employee Retirement System

**Observation**

**Quest Preparatory Academy fell behind on the monthly contributions due to the Public Employee Retirement System (PERS).**

## Key Findings

- In August 2013, PERS froze Quest Preparatory Academy's account due to overpayments, which were caused by incorrect calculation of the contribution rate for employee salaries.
- Teresa Barber, Human Resource Manager of Quest Preparatory Academy began working on resolving the PERS issue in December 2014 when she joined the Human Resources department.
- In December 2014, David Olive, then Governing Board President of Quest Preparatory Academy, **verbally told Teresa Barber not to make any payments to PERS until the issues were resolved.**
- According to Teresa Barber, **PERS payments for November 2014, December 2014 and January 2015 are still outstanding.**
- **Resumed making payments in February 2015 (the resumed payments were not for the previously missed payments).**
- According to the PERS documentation related to Quest Preparatory Academy, provided by the State Public Charter School Authority (SPCSA) on August 31, 2015, **total estimated amount due is $538,948.51**
- On September 1, 2015, Teresa Barber had a conversation with Kabrina Feser and Charyl Lacombe, representatives from PERS. **During this conversation, an arrangement was made with PERS to pay off the past due amount of $320,191.52. Under the agreement, the payments will begin in September 2015 and will be made every two weeks until December 2015, by then Quest preparatory Academy will be caught up on the past due payments to PERS.**



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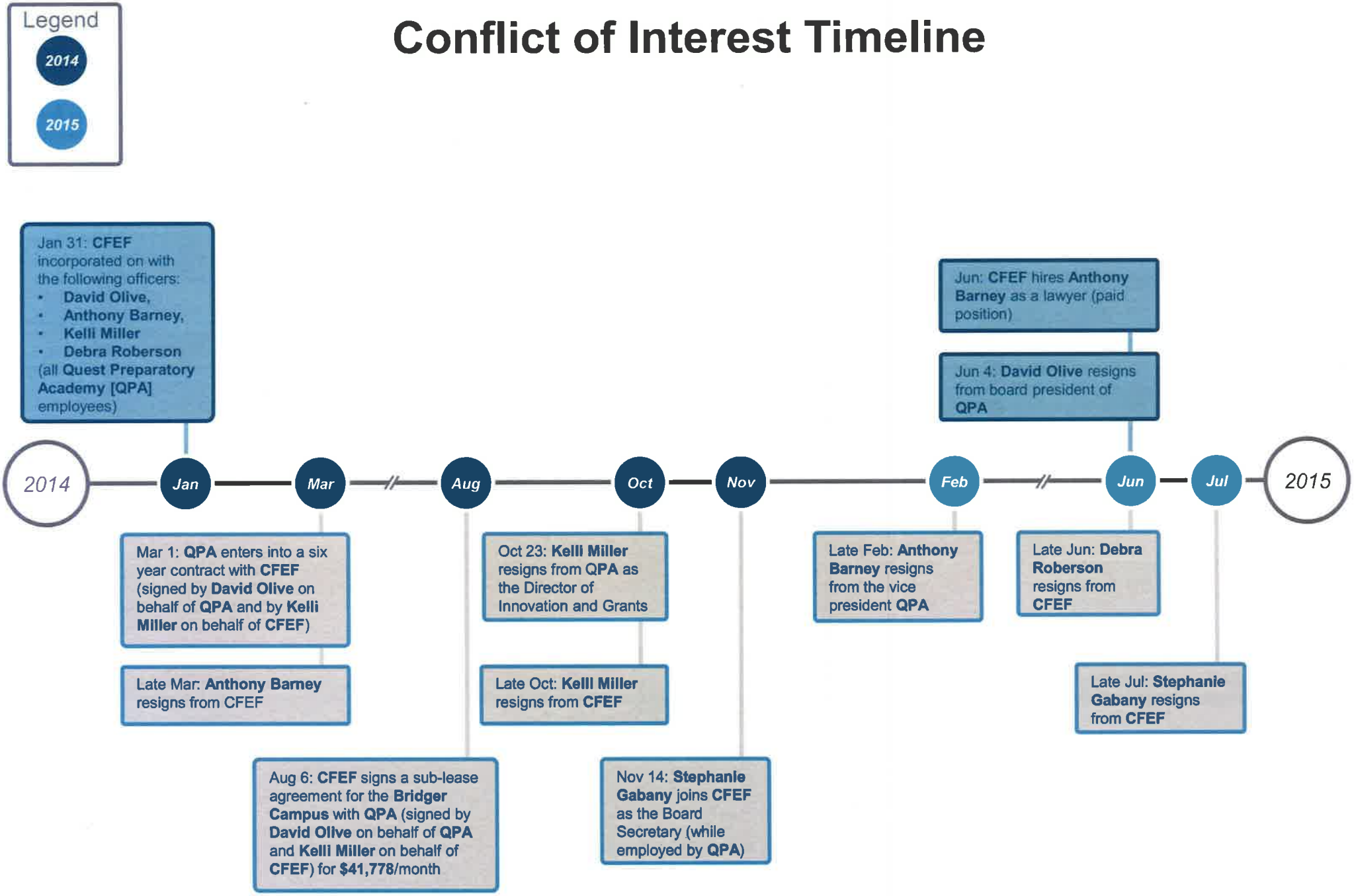
# Conflict of Interest Timeline



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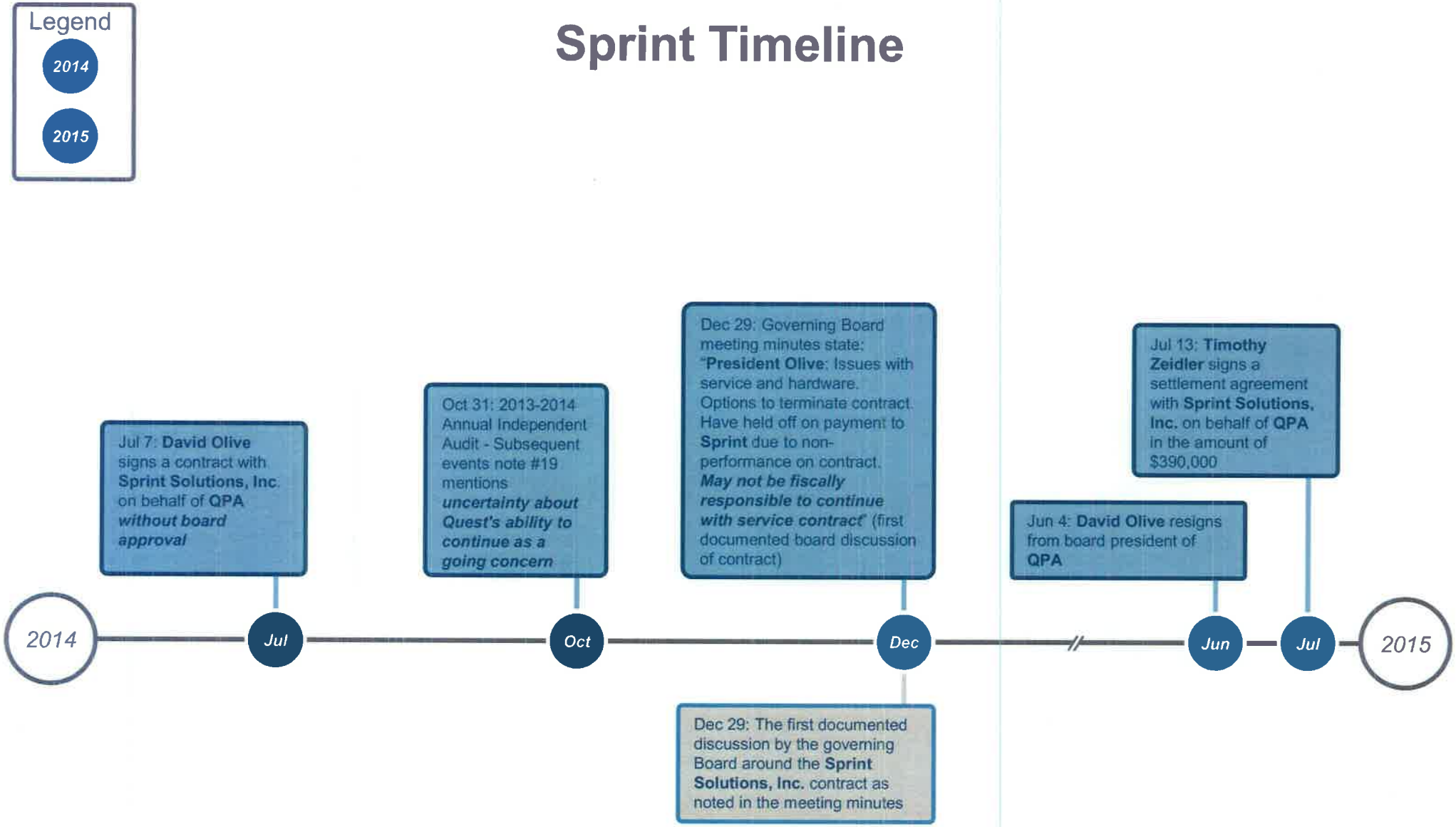
# Sprint Timeline



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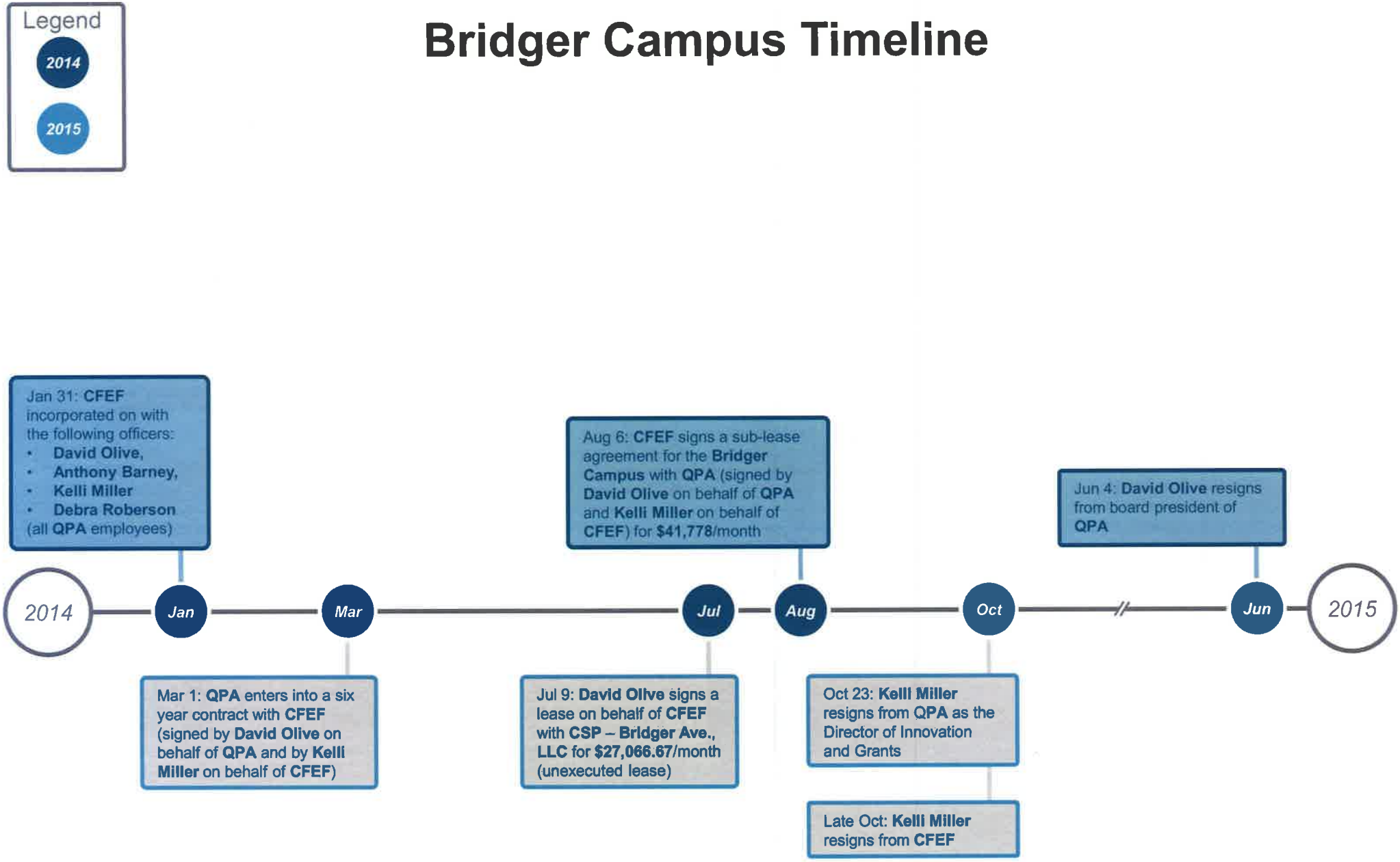
# Bridger Campus Timeline



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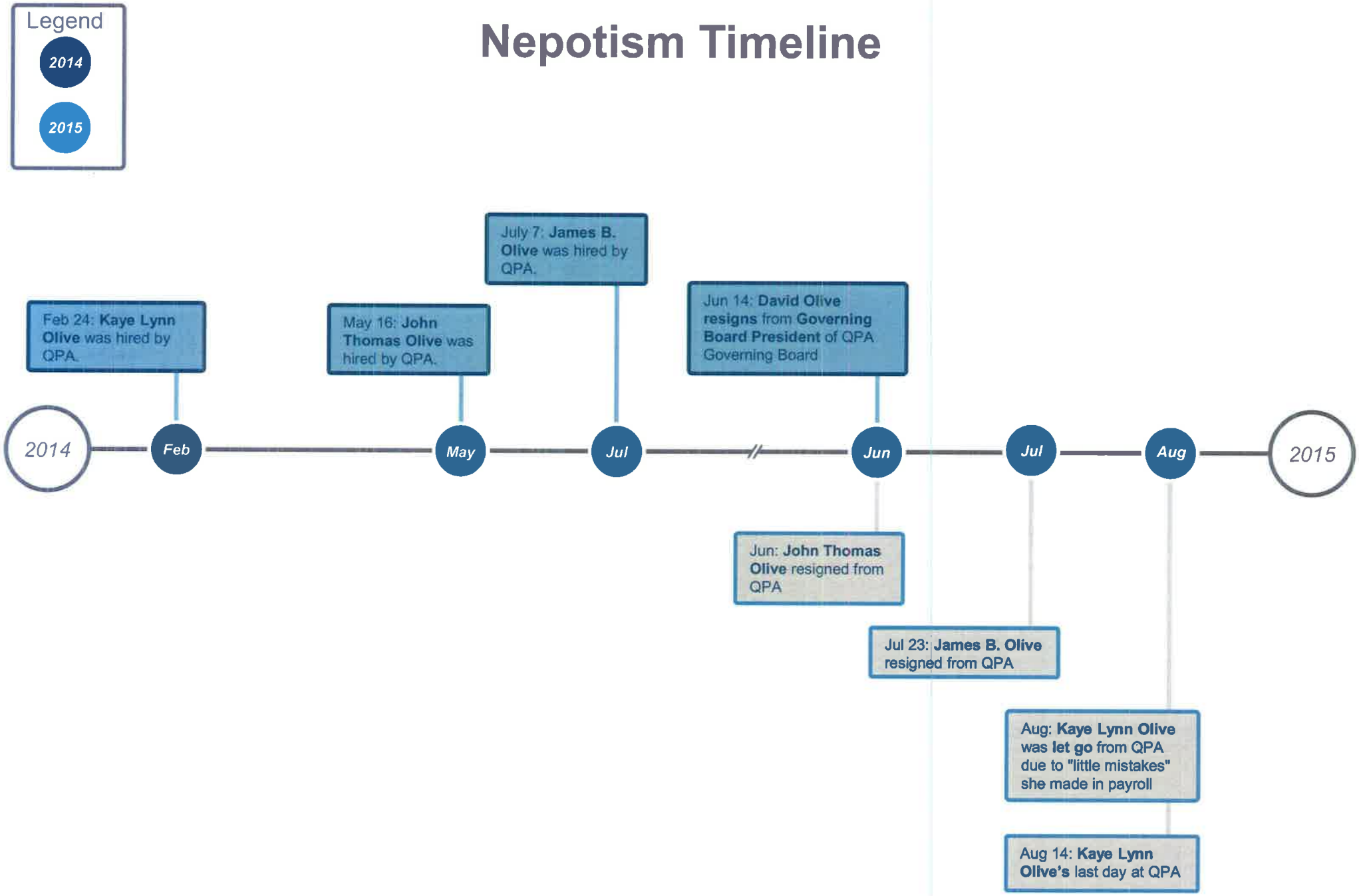
# Nepotism Timeline



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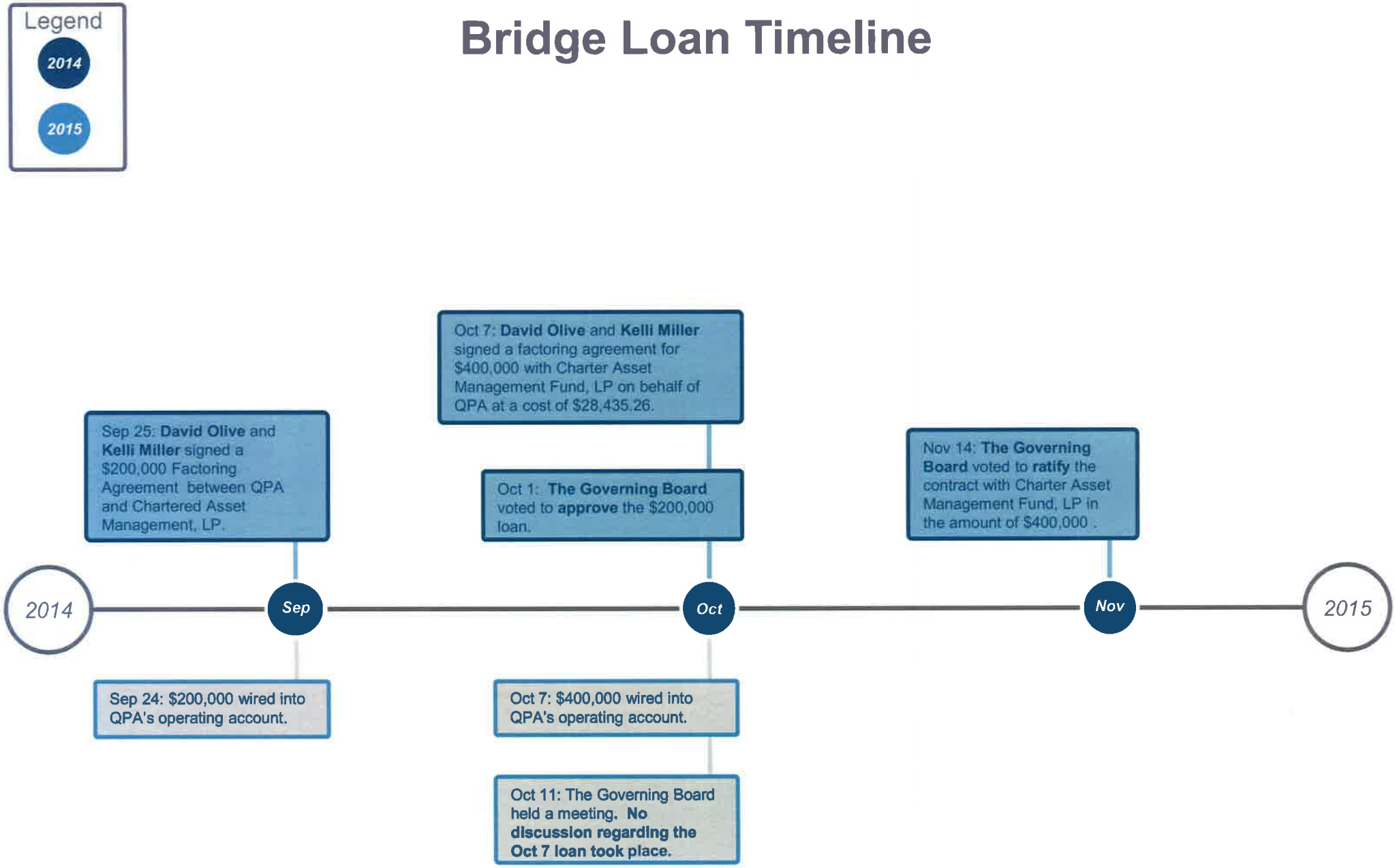
# Bridge Loan Timeline



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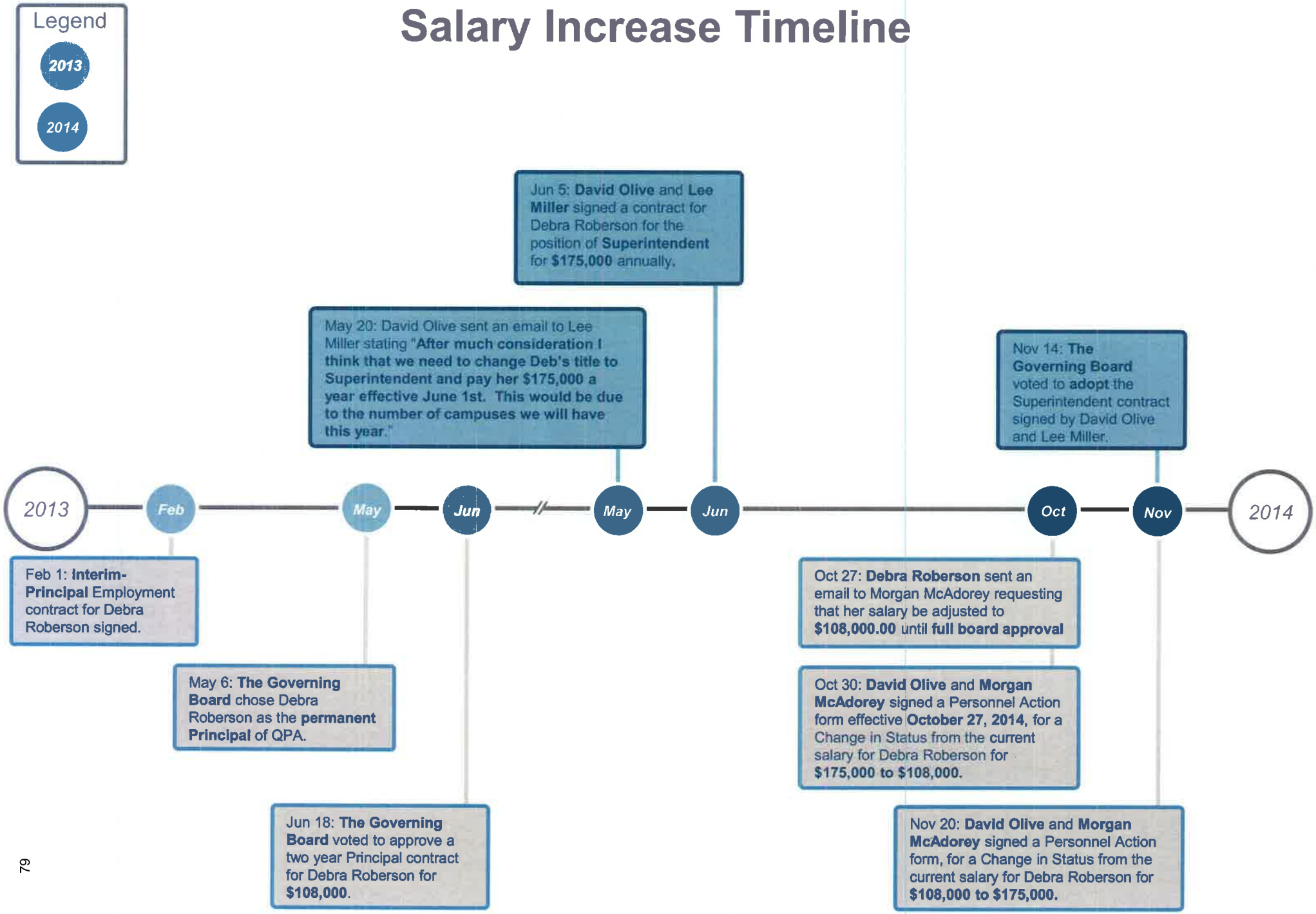
# Salary Increase Timeline



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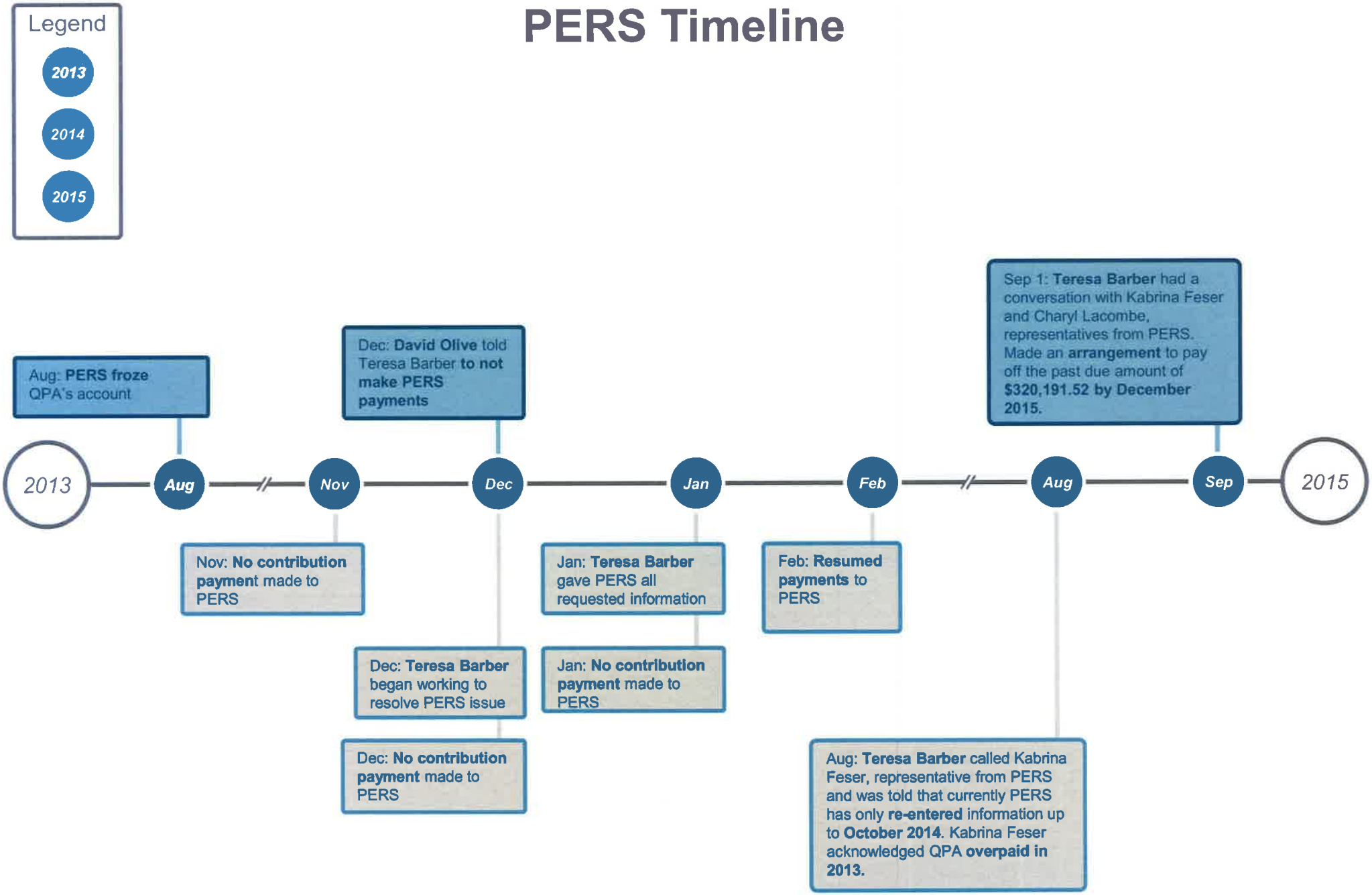
# PERS Timeline



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# Appendix C

# INDEPENDENT CONTRACTOR AGREEMENT

## SECTION 1. PARTIES AND BASIC PROVISIONS

Reference to the terms in the following table shall be deemed references to the facts shown therein:

| | |
|---|---|
| *1.1 "School"* | QUEST PREPARATORY ACADEMY |
| *1.2 "Professional Service Provider"* | CHARTERED FOR EXCELLENCE FOUNDATION |
| *1.3 "Starting Date"* | March 1, 2014 |
| *1.4 "Term"* | CHARTERED CONTRACT PERIOD or December 31, 2020, which ever is less pursuant to Section 6.3. |

## SECTION 2. RECITALS

2.1 The School is in the industry of providing preparatory education to students grades K-12.

2.2 The School desires to retain the services of the Professional Service Provider (hereinafter "CHARTERED FOR EXCELLENCE FOUNDATION" or "CFEF"), under the terms of this Agreement, and School desires to authorize approval of all contracts undertaken by CFEF pursuant to Paragraph 3.2; and

2.3 CFEF desires to render the Services described in Section 3.2 of this Agreement as an independent contractor for the School.

THEREFORE, in consideration of the mutual promises, covenants, conditions, the above recitals, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties enter into this Agreement. This Agreement relates back to the Starting Date as shown in paragraph 1.3, notwithstanding the date of this Agreement.

## SECTION 3. SERVICES RENDERED

3.1 Services Rendered. Commencing on the Starting Date, the School hereby retains the services of CFEF as its designated representative during the term specified in paragraph 1.4 above, and CFEF accepts to perform the services described in Section 3.2 of this Agreement, as an independent contractor for the School.

3.2 Duties of Professional Service Provider.

(a) Performance of Services. CFEF agrees to the professional, ethical, and timely performance of its duties under this Section 3 and the terms of this Agreement as an independent contractor of the School.

(b) Nature of Services. CFEF will provide services for the purchase and acquisition of one or more permanent real estate sites (exclusive of the duties and responsibilities of a qualified and licensed broker/agent), which includes negotiation with and community outreach to financiers, banks, and other national and local lending sources to finance additional school locations. These services include, but are not limited to working with the following professionals for services without the need of further approvals by the Governing Board:

1. building professionals
2. project management professionals
3. project rehabilitation professionals
4. project design professional
5. state and city building departments or agencies
6. zoning managers and elected officials
7. renting office space, renting "other" space including but not limited to classrooms and administrative rooms as determined by School administration.

CFEF may, at its discretion, provide demographics reports, logistics reports, and cost analysis of building projects and other expenditures for review of school authorities;

(c) CFEF will have its legal and compliance departments review all documents and contracts necessary to carry out its services to the School. However, School at its own discretion, may still hire an attorney to review all contracts between CFEF and the School;

(d) CFEF is authorized to lease transportation vehicles to the School for agreed upon events;

(e) CFEF is authorized to develop an educational curriculum that will meet or exceed Nevada state standards of education applicable to state funded charter schools;

(f) CFEF is authorized to develop a system of instruction and/or lectures that can provide innovative and educational/technological advancements to the student body, parents, and faculty of the School;

(g) CFEF is authorized to provide facilities management to School campuses;

(h) CFEF is authorized to facilitate forensic accounting services from certified and accredited professionals on behalf of School;

(i) CFEF is authorized to apply for and prepare grants for the benefit of the School;

(j) CFEF is authorized to develop a system of fundraising for the School, that will benefit School and its educational objectives; and

(k) CFEF is authorized to collect monies on behalf of School for computer expenses, internet usage fees, and or computing fees used by students of the School;

(l) CFEF is authorized to provide such services as the parties may hereinafter agree upon.

3.3 Supervision of Services. CFEF is responsible to supervise the performance of its duties under this Section 3, and is responsible for all expenses related to the performance of its duties under this Section 3.

## SECTION 4. RELATIONSHIP BETWEEN THE PARTIES

4.1 Independent Contractor. CFEF agrees to provide the services defined in Section 3 of this Agreement. Except as otherwise stated herein or agreed upon in writing, CFEF shall furnish all labor, tools, equipment, supervision and insurance needed to provide all services. It is understood that CFEF is an independent contractor, and not an employee of School. Nothing contained herein shall be construed to imply an employment, joint venture, partnership or principal and agent relationship between the parties, and neither party shall have any right, power or authority to create any obligations, express or implied, on behalf of the other. CFEF shall not be entitled to participate in any plans, benefits or distributions intended for School's employees.

CFEF agrees that School will make no deductions from any compensation paid to CFEF, and CFEF shall have full and exclusive liability for, the payment of any taxes and/or contributions for unemployment insurance, workers' compensation or any other employment-related costs or obligations, related to the provision of its services.

4.2 Indemnification. CFEF shall defend, indemnify, hold harmless, and insure School from any and all damages, expenses or liability resulting from or arising out of, any negligence or misconduct on CFEF's part, or from any breach or default of this Agreement which is caused or occasioned by the acts of CFEF, or its agents. CFEF furthers indemnifies School for any claims, costs, losses, fees, penalties, interest, or damages suffered as a result of CFEF's failure to make payment of any taxes and/or contributions for unemployment insurance, workers' compensation or any other employment-related costs or obligations, related to the provision of its services. CFEF shall insure that its employees and affiliates take all actions necessary to comply with the terms and conditions set forth in this Agreement.

4.3 Employees of CFEF. CFEF may, at CFEF's expense, use any employees or subcontractors as CFEF deems necessary to perform the services required of CFEF under this Agreement; provided, however, CFEF specifically agrees that any such employees or subcontractors will be those of CFEF and not of the School.

## SECTION 5. COMPENSATION

5.1 Compensation. Compensation shall be paid to CFEF for services rendered and goods purchased for the benefit of School. The rate of compensation will be equal to 20% of the gross amount of any services or goods obtained on behalf of School, except that subleasing from CFEF will be contracted for on a case by case basis, but in no event shall CFEF receive an amount less than 20% of the amount of the entire amount of the lease term between CFEF and owner of the premises which the School occupies or is intended to occupy. It is the responsibility, unless otherwise agreed, that the School shall forward all amounts, for the payment of services rendered and/or goods received, to CFEF at least three business days prior to the due date of such payment.

> *Example*: Technical Institute (TI), as landlord, desires to enter into a contract with CFEF, as tenant, for a lease with the option to purchase. TI desires to donate all of its chairs and workstations to CFEF in return for a charitable deduction. School desires to expand its campuses, but is unable to afford the cost of desks, chairs, and other equipment ("fixtures") in the amount of $200,000, which TI has agreed to donate to CFEF. The lease between TI and CFEF is $360,000. School desires to sublease the premises from CFEF, because it desires to receive the benefit of these fixtures without the immediate costs of purchasing these fixtures. The sublease between School and CFEF will permit, at a minimum, that CFEF would sublease to School at $432,000 allowing School to use the fixtures for $128,000.00 less than it would have been able purchase the fixtures, and allowing payment for the fixtures to be received over the extended period of the sublease.

## SECTION 6. TERMINATION OF AGREEMENT

6.1 Normal Termination. Unless otherwise agreed by the parties in writing or unless terminated earlier as provided herein, this Agreement shall terminate at the end of the term specified in paragraph 1.4. Notwithstanding the foregoing, if the parties continue the business relationship after the end of the term, the parties agree to be bound by the terms of this Agreement until a new agreement is executed by the parties. After the end of the term and upon notice of termination by either party, this Agreement shall terminate within fourteen (14) calendar days.

6.2 Voluntary Termination. Either party may terminate this Agreement as of a date to be specified in a notice of termination prior to the end of the term, such date to be not less than fourteen (14) days after sending of the notice, however the terminating party will be liable for any and all costs associated with termination of this agreement.

6.3 Immediate Termination. In the event that School dissolves, becomes insolvent, or its state charter is revoked or not renewed, this Agreement is terminated.

## SECTION 7. CONFIDENTIALITY

7.1 Non-Disclosure Agreement. School agrees that CFEF has invested, and will continue to invest, substantial monies and effort in compiling and storing data regarding educational and business techniques. CFEF agrees that School has created, developed and organized materials and processes regarding educational techniques. In addition, CFEF also understands and agrees that School has an interest in protecting its financial information, including the salaries of its employees. School and CFEF agree that this data is confidential and proprietary information and constitutes "trade secrets," and is hereafter referred to as "Confidential Information." The parties hereto further agree that all information regarding the financial arrangements or financial transactions among the parties hereto, and their investors or lenders, whether in writing or otherwise known, are confidential and proprietary information. The parties hereto agree not to disclose, directly or indirectly, any Confidential Information as defined in this subsection at any time or in any manner whatsoever, except as is absolutely essential and expressly authorized under this Agreement. Neither party shall use any Confidential Information of the other to the detriment, harm or disadvantage, in any way, of the non-disclosing party. If either party believes that it is necessary to disclose this information to any other person or entity, such party must first identify, in writing, that person or entity to the other party, and obtain that party's prior written approval before disclosure.

7.2 Assurance of Confidentiality. In the event that either party reasonably believes after consultation with counsel that it is required by law to disclose any Confidential Information of the other party, such party will:

(a) provide the non-disclosing party with prompt notice before such disclosure in order that the non-disclosing party may attempt to obtain a protective order or

other assurance that confidential treatment will be accorded such Confidential Information; and

(b) cooperate with the non-disclosing party in attempting to obtain such order or assurance.

7.3 Injunction. Due to the nature of the Confidential Information being disclosed and because the unauthorized disclosure or use thereof could cause irreparable harm to the non-disclosing party, each party hereto agrees and expressly authorizes, in addition to any other remedy the non-disclosing party may have for a breach of this Agreement, to obtain an injunction against any and all unauthorized disclosures of this information.

7.4 Return of Confidential Information. In the event that either party dissolves, becomes insolvent, or its state charter is revoked or not renewed, or this Agreement is terminated under the terms of Section 6, each party shall immediately return to the other all material containing any Confidential Information, including any and all copies thereof.

## SECTION 8. DEFINED TERMS.

8.1 Confidential Information. Billing; accounting; sales; scientific; and technical and other information regarding formulas, patterns, compilations, programs, devices, methods, techniques, operations, educational plans and processes that are owned by either party hereto or which are actually or potentially used in the operation of the their business or obtained from third parties under an agreement of confidentiality. Confidential Information also includes confidential and proprietary business information of either party, other than information which has entered the public domain (unless such information entered the public domain through effects of or on account of either party), and all valuable and unique information and techniques acquired, developed or used by either party relating to its business, operations, employees, customers and suppliers, which give such party a competitive advantage over those who do not know the information and techniques and which are protected by such party from unauthorized disclosure, including but not limited to, customer lists (including potential and existing customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, vendor information, internal policies, and products and services which may be developed from time to time by either party, and their agents or employees.

8.2 NRS. "NRS" means the Nevada Revised Statutes.

8.3 Parties. The "parties" to this Agreement are the "School" and "CHARTERED FOR EXCELLENCE FOUNDATION" named in subsections and respectively.

## SECTION 9. MISCELLANEOUS

9.1 Assignment. No party may assign its rights or delegate its duties hereunder without the written consent of all other parties. Any attempted assignment or delegation shall be void *ab initio*.

9.2 Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of Nevada. Jurisdiction and venue for all purposes shall be in Clark County, State of Nevada.

9.3 Construction. Where the context or circumstances so require, the singular shall include the plural and vice versa, and references to the masculine, feminine, or neuter gender shall be deemed to be references to the more appropriate gender. The invalidity of any particular provision hereof shall not affect the validity of any other provision. If a named party includes more than one person or entity, the obligations of that party shall be joint and several.

9.4 Enforcement. This Agreement shall be construed and enforced as effective and valid. If any portion of this Agreement or any other written policy of procedure is held invalid or inoperative, such determination shall not impair or affect the validity and legality or enforceability of the remaining provisions of this Agreement, and effect will be given to the parties' intent evidenced by the portion held invalid so far as legally and reasonably possible. Except as otherwise provided, any party in breach hereof or in default hereunder shall reimburse each other party for all costs reasonably incurred to enforce this Agreement, including attorneys' fees (whether or not court proceedings are actually commenced).

9.5 Headings. Headings used in this Agreement are intended for reference purposes only and shall not be used in the interpretation of this Agreement.

9.6 Integration and Modifications. This Agreement, and the other written agreements referred to herein, constitute the parties' entire Agreement and supersede any and all oral or written representations which may have been made by any party to any other party. No modification to this Agreement may be enforced unless it is signed by the party against whom it is to be enforced.

9.7 Notices. When this Agreement provides for notice to a party, such notice shall be sent postage prepaid to the party by U.S. first-class mail, by personal delivery, or by overnight delivery service, and notice shall be deemed given when sent. Any notice of default or breach must be sent by a method for which a delivery receipt is obtained; otherwise, the notice shall not be deemed sent until actually received. Notice shall be sent to the address shown in Section 1, above, or to a more recent address given in a properly sent notice. Notice from a party's employee, attorney, or other representative shall constitute notice from the party.

9.8 Remedies. The remedies hereunder are cumulative, and each party may exercise all remedies permitted by law in addition to those specifically enumerated herein.

9.9 Succession. The School will not consolidate nor merge into, or with, another School, nor transfer all or substantially all of its assets to another School, unless such School (hereinafter referred to as the "Successor School") shall assume this Agreement and its duties.

9.10 Waiver. Each party has the right to insist on full compliance with terms of this Agreement at any time, regardless of any one or more past occasions on which such right has been waived.

9.11 Prior Agreements and Indemnification. School agrees that execution of this agreement with the School will not violate or breach any agreement with any other individual or entity. School agrees to indemnify CFEF for claims made by such individuals or entities. Such claims include, but are not limited to, reasonable attorney fees and expenses of investigation by any third party that such third party may now have or may hereafter come to have against the School; such claim(s) being based upon or arising from any non-competition agreement, confidentiality agreement or secrecy agreement between School and such third party that was in existence on the date of this Agreement.

9.12 Attorney Review. Each party acknowledges that he or she has been informed of the propriety of having an attorney review this Agreement on his or her behalf. Each party also acknowledges that the restrictions reference herein have been explained prior to execution of this Agreement, and has entered into this Agreement with full knowledge of the restrictions, and agrees that the terms herein are fair and reasonable.

IN WITNESS WHEREOF, the School has caused this Agreement to be executed, by a duly authorized officer; and CHARTERED FOR EXCELLENCE FOUNDATION, by a duly authorized agent, has signed this Agreement, as of the date shown.

| *"School"* | **"Professional Service Provider"** |
|---|---|
| QUEST PREPARATORYACADEMY | CHARTERED FOR EXCELLENCE FOUNDATION |
| David Olive, President | By: Kelli Miller, Secretary Treasurer |
| Date: 5·17·14 | Date: 5-17-14 |

# Appendix D

BRIDGER Sublease

# BUILDING AND IMPROVEMENT SUBLEASE
## (Absolute Net – Bond Type)

This Building and Improvement Sublease (the "**Sublease**"), dated as of the date set forth in Section 1 of the Basic Sublease Provisions below (the "**Basic Sublease Provisions**"), is made by and between **CHARTERED FOR EXCELLENCE FOUNDATION**, a Nevada Non-Profit Corporation ("**Sublessor**"), and **QUEST PREPARATORY ACADEMY**, a Nevada State Sponsored Charter School ("**Sublessee**"). Except as otherwise set forth herein, capitalized terms used herein shall have the meaning set forth in the Basic Sublease Provisions and, if not defined therein, then in **Exhibit A** attached hereto.

## BASIC SUBLEASE PROVISIONS

| | | |
|---|---|---|
| 1. | Effective Date | August 1, 2014 |
| 2. | Premises (Article 1) | Approximately 14,000 square feet of useable building space commonly known as 1300 East Bridger Avenue, Las Vegas, Nevada 89101 contained on a ground leased parcel of 2.89 acres and the Improvements located thereon. |
| 3. | Term of the Sublease (Article 2) | |
| 3.1 | Length of Term | Twenty Five (25) Years. |
| 3.2 | Sublease Commencement Date | August 1, 2014 |
| 3.3 | Sublease Expiration Date | The last day of the three hundredth (300th) month to occur after the Sublease Commencement Date (as such date may be extended pursuant to the terms of this Sublease). |
| 3.4 | Options to Extend the Term of the Sublease | Two (2) automatic options to extend the Term of the Sublease, each for a period of five (5) years, subject to the terms and conditions set forth in Section 2.2 herein. |
| 4. | Minimum Annual Rent (Article 3) | The Minimum Annual Rent shall be as follows:<br><br>Months 1-12: The Minimum Annual Rent shall be $324,800, which amount shall increase three percent (3%) per annum, effective the first day of the thirteenth (13th) month of the Term of the Sublease and on a like day of every year of the Term of the Sublease (as it may be extended as provided herein) thereafter. |
| 5. | Permitted Use (Article 5) | Public charter school and other uses directly related to a public charter school's educational purpose and operations. |
| 6. | Security Deposit (Article 21) | $27,066.67 increasing by three percent (3%) per annum in concert with the annual increases in the Minimum Annual Rent effective the first day of the thirteenth (13th) month of the Term of the Sublease and on a like day of every year of the Term of the |

| | |
|---|---|
| | Sublease (as it may be extended as provided herein) thereafter. |
| 7. Notice Address of Sublessee (Section 26.18) ..... | On and after the Sublease Commencement Date, notices shall be sent to Sublessee at the Premises. |
| 8. Notice Address of Sublessor (Section 26.18) ..... | _____ |
| 9. Brokers (Section 26.24) | |
| For Sublessor ..... | None |
| For Sublessee ..... | None |
| 10. Guarantor(s) (Section 26.32) ..... | None |

[CONTINUED ON FOLLOWING PAGE]

EXHIBITS ATTACHED AND INCORPORATED HEREIN

| | |
|---|---|
| Exhibit A | Definitions Applicable to the Sublease |
| Exhibit B | Legal Description of the Land Portion of the Premises |
| Exhibit B-1 | Depiction/Site Plan of the Premises |
| Exhibit C | Form of Memorandum of Sublease |
| Exhibit D | Form of Sublessee's Estoppel Certificate |
| Exhibit E | Sublessee's Insurance Specifications and Limits |
| Exhibit F | State Specific Provisions |
| Exhibit 101 | Integration, Incorporation of Ground Lease and Assumption of Sublessor's Obligations as Lessee under the Ground Lease |
| Exhibit 102 | Sublessor's Surviving Interests in Ground Leased Facilities |

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this Sublease as of the Effective Date, consisting of the foregoing Basic Sublease Provisions, the paragraphs which follow, and all exhibits attached hereto.

**"SUBLESSOR":**

**CHARTERED FOR EXCELLENCE FOUNDATIN, a Nevada Non-Profit Corporation**

By: _____

Name: Kelli Miller, PhD

Title: Director

**"SUBLESSEE":**

**QUEST PREPARATORY ACADEMY, a Nevada State Sponsored Charter School**

By: _____

Name: David C Olive

Title: Governing Board President

**"LANDLORD":**

**CSP-BRIDGER AVE., LLC**
**a Nevada limited liability company**

By: _____

Name: _____

Title: _____

**[PROVISION BELOW IS TO BE COMPLETED AFTER SUBLEASE COMMENCEMENT]**

Sublessee hereby confirm that the Term of the Sublease commenced on August 1, 2014.

DCMi
Sublessee Initials

7/9/14
Date

# ARTICLE 1

## PREMISES, BUILDING

**1.1** **Leasing**. Sublessor hereby subleases to Sublessee and Sublessee hereby subleases from Sublessor the Premises subject to the Ground Lease and other Permitted Encumbrances. The outline of the Premises is generally depicted on the Site Plan attached hereto as **Exhibit B-1**. The parties hereto agree that the Sublease of the Premises is upon and subject to the terms, covenants and conditions herein set forth, and Sublessee covenants as a material part of the consideration for this Sublease to keep and perform each and all of such terms, covenants and conditions by it to be kept and performed and that this Sublease is made upon the condition of such performance. The parties hereto hereby acknowledge that the purpose of **Exhibit B-1** is to show the approximate location of the Premises only, and such Exhibit is not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the precise area thereof, the specific location of the Building or any other improvements or of the accessways to the Premises. For purposes of this Sublease, the square footage set forth in the Basic Sublease Provisions or elsewhere in the Sublease shall be deemed accurate and neither the Premises, Building, Improvements, nor Land shall be subject to remeasurement.

**1.1.1** **Title**. Sublessee acknowledges and agrees that Sublessee has examined the title to the Premises prior to the execution and delivery of this Sublease and has found the condition of title to be satisfactory for the purposes contemplated by this Sublease. Without limiting the generality of the foregoing, the Premises are demised and let subject to the terms of this Sublease as well as all of the following:

**1.1.1.1** The Ground Lease other Permitted Encumbrances.

**1.1.1.2** The Legal Requirements.

**1.1.1.3** The Insurance Requirements.

**1.1.1.4** The condition of the Premises as of the commencement of the Term, without representation or warranty by Sublessor.

**1.1.2** **Condition**. SUBLESSOR HAS NOT MADE AND WILL NOT MAKE ANY INSPECTION OF ANY OF THE PREMISES, AND SUBLESSOR SUBLEASES AND WILL SUBLEASE AND SUBLESSEE TAKES AND WILL TAKE THE PREMISES "AS IS", AND SUBLESSEE ACKNOWLEDGES THAT SUBLESSOR (WHETHER ACTING AS SUBLESSOR HEREUNDER OR IN ANY OTHER CAPACITY) HAS NOT MADE AND WILL NOT MAKE, NOR SHALL SUBLESSOR BE DEEMED TO HAVE MADE, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE PREMISES, INCLUDING ANY WARRANTY OR REPRESENTATION AS TO ITS FITNESS FOR USE OR PURPOSE (INCLUDING, WITHOUT LIMITATION, SUBLESSEE'S INTENDED USE), COMPLIANCE WITH "LEGAL REQUIREMENTS", DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE, AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, AS TO SUBLESSOR'S TITLE THERETO, OR AS TO VALUE, COMPLIANCE WITH SPECIFICATIONS, LOCATION, USE, CONDITION, MERCHANTABILITY, QUALITY, DESCRIPTION, DURABILITY OR OPERATION, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY SUBLESSEE. Sublessee acknowledges that the

Premises are of its selection and to its specifications, and that the Premises have been inspected by Sublessee and are satisfactory to it. In the event of any defect or deficiency in any of the Premises of any nature, whether patent or latent, Sublessor shall not have any responsibility or liability with respect thereto or for any incidental or consequential damages (including strict liability in tort). The provisions of this Paragraph have been negotiated, and the foregoing provisions are intended to be a complete exclusion and negation of any warranties by Sublessor, express or implied, with respect to the Premises, arising pursuant to the uniform commercial code or any other law now or hereafter in effect or otherwise.

## ARTICLE 2

## INITIAL TERM OF THE SUBLEASE; OPTIONS TO EXTEND THE TERM OF SUBLEASE

**2.1** **Initial Term of the Sublease**. The terms and provisions of this Sublease shall be effective as of the date of this Sublease. The Term of the Sublease shall commence on the Sublease Commencement Date and shall terminate on the Sublease Expiration Date (as it may be extended as provided in this Sublease) unless this Sublease is sooner terminated as hereinafter provided. At any time during the Term of the Sublease, Sublessor may request that Sublessee execute or initial the Basic Sublease Provisions where indicated (or execute a different comparable document) to confirm the Sublease Commencement Date, which Sublessee shall execute/initial and return to Sublessor within five (5) days of receipt thereof.

**2.2** **Automatic Extension of the Term of the Sublease; Sublessee Right to Decline Extension**. Sublessor hereby grants Sublessee, the Options to Extend the Term of the Sublease set forth in the Basic Sublease Provisions, if any. Each Option to Extend the Term of the Sublease shall be deemed *automatically exercised* without notice or further action by any party unless Sublessor delivers the irrevocable Option Decline Notice to Sublessee. If the irrevocable Option Decline Notice has not been timely delivered, the next available Option to Extend the Term of the Sublease shall be deemed effective and exercised and the Sublease Expiration Date shall be extended for a period of years as set forth in the Basic Sublease Provisions. If the irrevocable Option Decline Notice is timely delivered, the then-current Sublease Expiration Date shall not be extended and all remaining Options to Extend the Term of the Sublease shall be terminated and of no further force or effect and Sublessee shall have no ability to rescind the Option Decline Notice.

**2.3** **Option Rent**. Upon commencement of each Option to Extend the Term of the Sublease and during the extended Term of the Sublease, the Minimum Annual Rent shall continue to be adjusted as provided in the Basic Sublease Provisions.

## ARTICLE 3

## BASE RENT

**3.1** **Generally**. Sublessee shall pay, without prior notice or demand, to Sublessor at the place or address it designates in writing from time to time, by a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, one-twelfth ($1/12^{th}$) of the Minimum Annual Rent (the "Minimum Monthly Rent") in advance on or before the Rent Payment Date for each and every calendar month during the Term of the Sublease, without any setoff or deduction whatsoever. The Minimum Monthly Rent for the first full month of the Term of the Sublease shall be paid at the time of Sublessee's execution of this Sublease. If any payment of Minimum Monthly Rent is for a period which is shorter than one month, the Minimum Monthly Rent for any such fractional month shall accrue on a daily basis such that $1/30^{th}$ of the Minimum Monthly Rent shall be payable for each and

every day that the Sublease is in effect and/or Sublessee is in possession of the Premises (whichever is greater). All other payments or adjustments required to be made under the terms of this Sublease that require proration on a time basis shall be prorated on the basis of thirty (30) day months notwithstanding the actual numbers of days in such month. Upon written notice to Sublessee at any time, Sublessor may (in its sole discretion) elect to require (by providing written notice to Sublessee) that Sublessee pay the Minimum Monthly Rent and any Additional Rent by electronic funds transfer or wire transfer on or before the Rent Payment Date and, if so elected, may charge a two percent (2%) processing fee for any payments not made by such electronic funds transfer or wire transfer.

## ARTICLE 4

## ADDITIONAL RENT

**4.1** **Survival**. Without limitation on other obligations of Sublessee which survive the expiration of the Term of the Sublease, the obligations of Sublessee to pay the Rent shall survive the expiration or termination of the Sublease.

**4.2** **Additional Rent**. Sublessee covenants to pay and discharge, when the same shall become due, as Additional Rent, all other amounts, liabilities and obligations which Sublessee assumes or agrees to pay or discharge pursuant to this Sublease, together with every fine, penalty, interest and cost which may be added for non-payment or late payment thereof. In the event of any failure by Sublessee to pay or discharge any of the foregoing, the Sublessor shall have all rights, powers and remedies provided herein, by law or otherwise in the case of non-payment of Rent.

**4.3** **Taxes and Other Charges as Additional Rent.** Without limiting Sublessee's obligations set forth elsewhere in this Sublease, Sublessee shall pay at least thirty (30) days before due and before interest or penalties are due thereon: (i) all taxes, assessments, levies, fees, water and sewer rents and charges of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen, which are, at any time prior to or during the Term hereof, imposed or levied upon, assessed, or incurred by Sublessor or Sublessee against (A) the Premises, (B) any Rent, Additional Rent or other sum payable hereunder, or (C) this Sublease, the Ground Lease, or the Subleasehold estates thereby created, or which arise in respect of the operation, possession or use of the Premises; (ii) all gross receipts or similar taxes imposed or levied upon, assessed against or measured by any Rent, Additional Rent or other sum payable hereunder; (iii) all sales, use and similar taxes at any time levied, assessed or payable on account of the acquisition, leasing or use of the Premises; (iv) all charges and/or taxes for any easement or agreement maintained for the benefit of the Premises; (v) all charges for water, sewer and other utilities serving the Premises; (vi) all ground rents on or with respect to the Premises, whether payable under the Ground Lease or any other ground lease; and (vii) all other public charges and/or taxes whether of a like or different nature, even if unforeseen or extraordinary, imposed or assessed upon or with respect to the Premises. Any such taxes, assessments and other charges with respect to the Premises for the then current tax period shall be apportioned as of the Commencement Date, and the pro rata share thereof shall be paid to the Sublessor or credited to Sublessee, as the case may be. Sublessee shall furnish to the Sublessor, promptly after demand therefor, proof of payment of all items referred to above which are payable by Sublessee. If any such assessment may legally be paid in installments, Sublessee may pay such assessment in installments; in such event, Sublessee shall be liable only for installments which are attributable to any period falling within the Term hereof.

**4.4** **Expenses for Permitted Exceptions as Additional Rent**. Sublessee agrees that Sublessee is obligated to and shall perform all obligations of the owner of the Premises and pay all expenses which the owner of the Premises may be required to pay in accordance with any of the Permitted Encumbrances (including, without limitation any Ground Lease, or any other similar

agreements) and that Sublessee shall comply with all of the terms and conditions of the Permitted Encumbrances during the term of this Sublease.

**4.5** **Sublessor's Right to Pay or Cure**. Should Sublessee fail to pay any Additional Rent when due, Sublessor shall have the right (but not the obligation) to pay, such amount and/or to discharge or remove any tax, assessment, levy, fee, rent, charge, lien or encumbrance on behalf of Sublessee and charge Sublessee for all costs and expenses incurred or paid by Sublessor plus the Administrative Fee. Sublessee further covenants and agrees to indemnify, defend and hold harmless Sublessor against any claim, loss or damage suffered by Sublessor by reason of Sublessee's failure to perform any obligations or pay any expenses as and when required under this Sublease.

**4.6** **Net Sublease**. It is understood and agreed by Sublessee that this Sublease is an absolute triple net Sublease and the Rent, Additional Rent and all other sums payable hereunder to Sublessor shall be absolutely net to the Sublessor, without deduction or set off. Sublessee shall be responsible for (and pay directly) all taxes, payments in lieu of taxes, assessments, utility charges, liens, insurance, capital replacements, maintenance, repairs and all other costs associated with the Premises, whether existing now or hereinafter imposed or incurred. Sublessee shall pay all sums payable hereunder without notice or demand, and without set-off, abatement, suspension or deduction and Sublessee shall not interpose any counterclaim or defense of whatever nature or description in any proceeding by the Sublessor for the collection of money due hereunder.

**4.7** **Not Financing**. Sublessor and Sublessee agree that this Sublease is a true Sublease and does not represent a financing arrangement. Each party shall reflect the transactions represented by this Sublease in all applicable books, records and reports (including, without limitation, income tax filings) in a manner consistent with "true Sublease" treatment rather than "financing" treatment.

## ARTICLE 5

## USE OF PREMISES

**5.1** **Permitted Use**. Sublessee shall use the Premises solely for the Permitted Use set forth in Section 5 of the Basic Sublease Provisions and Sublessee shall not use or permit the Premises to be used for any other purpose or purposes whatsoever without the prior written consent of Sublessor, which may be withheld in Sublessor's sole discretion.

**5.2** **Prohibited Uses**. In no event shall the Premises be used for any purpose which shall violate any of the provisions of any Permitted Encumbrance or any covenants, conditions, restrictions or agreements hereafter created by or consented to by Sublessee applicable to the Premises. Sublessee agrees that with respect to the Permitted Encumbrances and any covenants, restrictions or agreements hereafter created by or consented to by Sublessee, Sublessee shall observe, perform and comply with and carry out the provisions thereof required therein to be observed and performed by Sublessor. Sublessee shall not commit or suffer to be committed any waste in or upon the Premises. Sublessee shall not permit any unlawful occupation, business or trade to be conducted on the Premises or any use to be made thereof contrary to applicable Legal Requirements or Insurance Requirements. Sublessee shall not use, occupy or permit any of the Premises to be used or occupied, nor do or permit anything to be done in or on any of the Premises, in a manner which would (i) make void or voidable any insurance which Sublessee is required hereunder to maintain then in force with respect to any of the Premises, (ii) affect the ability of Sublessee to obtain any insurance which Sublessee is required to furnish hereunder, or (iii) cause any injury or damage to the Building or any other Improvements, unless pursuant to Alterations permitted under this Sublease.

**5.3** **Compliance with Law**. Sublessee shall, at its expense, comply with and shall cause the Premises and all Occupants of any portion thereof to comply with all Insurance Requirements and Legal Requirements, including those which require the making of any structural, unforeseen or extraordinary changes, whether or not any of the same which may hereafter be enacted involve a change of policy on the part of the governmental body enacting the same.

**5.4** **Permits and Approvals**. Sublessee shall, at its sole cost and expense, obtain all permits, certificates, approvals, licenses and all other necessary or appropriate actions of any Federal, State or City authorities required for the operation of Sublessee's business on the Premises, all in accordance with the Legal Requirements.

**5.5** **Compliance with Contractual Requirements**. Sublessee shall, at its expense, comply with the requirements of all policies of insurance which are carried by Sublessee (or by the Sublessor when permitted by the terms of this Sublease) which at any time may be in force with respect to the Premises or any portion thereof, and with the provisions of all contracts, agreements and restrictions entered into by such Sublessee or by which such Sublessee is legally bound affecting the Premises or any portion thereof or the ownership, occupancy or use thereof.

**5.6** **Quiet Enjoyment**. If and so long as Sublessee shall pays all Rent and other charges herein provided, observes and performs all covenants, agreements and obligations contained herein and there is otherwise no Event of Default, Sublessor covenants to do no act to disturb the peaceful and quiet occupation and enjoyment of the Premises by Sublessee; provided, that the Sublessor and its agents may enter upon and examine the Premises as provided herein.

**5.7** **Surrender of Premises**. At the expiration or earlier termination of the Term of this Sublease or any portion thereof, Sublessee shall peaceably leave, quit and surrender the Premises.

## ARTICLE 6

## NON-TERMINABILITY

**6.1** **No Termination Rights**. It is the intention of the parties hereto that the obligations of Sublessee under this Sublease shall be separate and independent covenants and agreements, and that Minimum Annual Rent, Additional Rent and all other sums payable by Sublessee hereunder shall continue to be payable on an absolute net basis and in all events (or, in lieu thereof, Sublessee shall pay amounts equal thereto), and that all obligations of Sublessee under this Sublease (including both monetary and performance obligations) shall continue unaffected, unless this Sublease shall have been terminated pursuant to an express provision of this Sublease. Accordingly, except as otherwise expressly provided in this Sublease, this Sublease shall not terminate and Sublessee shall not have any right to terminate this Sublease, during the Term. Except as otherwise expressly provided in this Sublease, Sublessee shall not be entitled to any setoff, counterclaim, recoupment, abatement, suspension, deferment, diminution, deduction, reduction or defense of or to Minimum Annual Rent, Additional Rent or any other sums payable under this Sublease; and except as otherwise expressly provided in this Sublease, the obligations of Sublessee under this Sublease shall **not** be affected, modified, reduced or excused by any interference with Sublessee's use of any of the Premises for any reason. Without limitation, Sublessee's obligations under this Sublease shall not be affected, modified, reduced or excused by any of the following:

**6.1.1** Any damage to or destruction of any of the Premises by any cause whatsoever,

**6.1.2** Any Condemnation:

**6.1.3** The prohibition, limitation or restriction of Sublessee's use of any of the Premises,

**6.1.4** Any eviction by paramount title or otherwise,

**6.1.5** Sublessor's acquisition of ownership of any of the Premises,

**6.1.6** Any default on the part of Sublessor under this Sublease or under any other agreement,

**6.1.7** Any latent or other defect in, or any theft or loss of any of the Premises,

**6.1.8** The breach of any warranty of any seller or manufacturer of any of the Equipment,

**6.1.9** Any violation of Section 5.6 by Sublessor,

**6.1.10** Any other cause, whether similar or dissimilar to the foregoing, any present or future law or Legal Requirement to the contrary notwithstanding.

## ARTICLE 7

## MAINTENANCE, REPAIRS, AND OPERATION

**7.1** **Maintenance, Repairs and Operation**. Sublessee agrees that it will, during the Term of this Sublease, at its expense, keep, maintain, repair, replace, use and operate the Premises, including any altered, rebuilt, additional or substituted buildings, structures, equipment, and other improvements thereto, in good repair and appearance and in a first-class and leasable condition, and will promptly make all structural and non-structural, foreseen and unforeseen, and ordinary and extraordinary changes, repairs and replacements of every kind and nature which may be required to be made upon or in connection with the Premises or any part thereof in order to keep and maintain the Premises, in good repair and appearance and in a leasable condition. Without limiting the generality of the foregoing, Sublessee shall maintain, repair and/or replace all equipment or facilities, including, but not limited to, plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection and sprinkler system, fixtures, walls (interior and exterior), foundations, ceilings, roofs, roof drainage systems, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Sublessee's responsibilities for any and all capital replacement of all such equipment and/or facilities shall be determined according to generally accepted replacement schedules. Sublessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Section 7.2 below. Sublessee shall, at its own expense, keep the Premises in a clean, neat and sanitary condition and shall keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal), including, when necessary, the exterior repainting or refinishing of the Building. Sublessee shall do or cause others to do all shoring of the Premises (including the foundations and walls of the Building) and every other act necessary or appropriate for preservation and safety thereof, by reason of or in connection with any excavation or other building operation upon any of the Premises, whether or not Sublessor shall, by reason of any Legal Requirements or Insurance Requirements, be required to take such action or be liable for failure to do so. Sublessee shall, in all events, make all repairs for which it is responsible hereunder promptly, and all repairs shall be in a good, proper and workmanlike manner. Sublessee hereby waives the right to make repairs at Sublessor's expense under the provisions of any laws permitting repairs by a Sublessee at the expense of Sublessor to the extent allowed by law, in that Sublessor and Sublessee have by this Sublease (including, without limitation, Article 11) made specific provision for such repairs and have defined their respective obligations relating thereto.

**7.2** **Records; Service Contracts.** As part of its maintenance obligations hereunder, Sublessee shall, at Sublessor's request, provide Sublessor with copies of all maintenance schedules,

service contracts, reports and notices prepared by, for or on behalf of Sublessee. Sublessee shall procure and maintain preventative maintenance contracts, with copies to Sublessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) heating and air conditioning equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drains, and (vi) clarifiers. However, Sublessor reserves the right, upon notice to Sublessee, to procure and maintain any or all of such service contracts, and Sublessee shall reimburse Sublessor, upon demand, for the cost thereof plus the Administrative Fee.

**7.3** **Sublessor has No Obligations**. Sublessor shall not be required to maintain, repair or rebuild, or to make any alterations, replacements or renewals of any nature or description to the Premises (or any other property), or any part thereof, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to maintain the Premises, or any part thereof in any way. Sublessee hereby expressly waives the right to make repairs at the expense of the Sublessor, which such right may be provided for in any law now or hereafter in effect.

**7.4** **Equipment Replacements**. Sublessee shall, at its sole expense, from time to time replace with other operational equipment or parts any of the Equipment which shall have become worn out or unusable for the purpose for which it is intended, been taken by a Condemnation, or been lost, stolen, damaged or destroyed. Sublessee shall repair at its sole cost and expense all damage to the Premises caused by the removal of Equipment (including any replacements thereof) or other personal property of Sublessee or the installation of any replacement Equipment. All replacement Equipment shall immediately become the property of Sublessor and shall be free and clear of all liens and rights of others and shall become a part of the Equipment as if originally demised herein.

**7.5** **Compliance with Requirements**. In the event that any Improvements violate any Legal Requirements or Insurance Requirements and as a result of such violation enforcement action is threatened or commenced against Sublessee or with respect to the Premises, then Sublessee, at the request of Sublessor, shall either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such violation, whether the same shall affect Sublessor, Sublessee or both, or (ii) take such action as shall be necessary to remove such violation, including, if necessary, any Alteration. Any such repair or Alteration shall be made in conformity with the provisions of Section 8 below.

**7.6** **Compliance with Environmental Laws**. Sublessee represents and warrants that, except as herein set forth, it will not use, store or dispose of any Hazardous Materials in or on the Premises. Without limiting the foregoing, Sublessee agrees that it will not install any underground or above ground storage tank at the Premises without specific, prior written approval from the Sublessor, which approval may be withheld in Sublessor's sole and absolute discretion. Similarly, Sublessee agrees that it will not store Hazardous Materials or other combustible or flammable materials on the Premises. Notwithstanding the preceding provisions, Sublessor agrees that Sublessee may use, store and properly dispose of Permitted Chemicals. However, Sublessee may use, store and dispose of same, provided that in doing so; Sublessee fully complies with all Environmental Laws.

**7.7** **Remediation of Hazardous Materials**. To the extent required by the Environmental Laws, any other Legal Requirements, the Insurance Requirements, and/or any other federal, state or local laws, rules or regulations governing Hazardous Materials, Sublessee shall remove any Hazardous Materials whether now or hereafter existing on the Premises and whether or not arising out of or in any manner connected with Sublessee's occupancy of the Premises during the Term. In addition to, and without limiting other indemnity provisions set forth in this Sublease, Sublessee shall and hereby does

agree to defend, indemnify and hold Sublessor and its Landlord(s), and their respective officers, directors, shareholders, partners, members and employees, harmless from and against any and all causes of actions, suits, demands or judgments of any nature whatsoever, losses, damages, penalties, expenses, fees, claims, costs (including response and remedial costs), and liabilities, including, but not limited to, reasonable in-house and outside attorneys' fees and costs of litigation, arising out of or in any manner connected with (i) the violation of any applicable federal, state or local Environmental Law with respect to the Premises; (ii) the "release" or "threatened release" of or failure to remove, as required by this Article, Hazardous Materials from the Premises or any portion or portions thereof, including any past or current release and any release or threatened release during the initial term or any extension of Term, whether or not arising out of or in any manner connected with Sublessee's occupancy of the Premises.

**7.8** **Failure to Comply**. If Sublessee shall be in default under any of the provisions of this Article, Sublessor may after thirty (30) business days written notice given to Sublessee and failure of Sublessee to cure during said period, but without notice in the event of an emergency, do whatever is necessary to cure such default as may be appropriate under the circumstances for the account of and at the expense of Sublessee. In the event of an emergency Sublessor shall notify Sublessee of the situation by phone or other available communication. All reasonable sums so paid by Sublessor and all reasonable costs and expenses (including, without limitation, in-house and outside attorneys' fees and expenses) so incurred, together with interest thereon at the Default Rate from the date of payment or incurring the expense, shall constitute Additional Rent payable by Sublessee under this Sublease and shall be paid by Sublessee to Sublessor on demand.

## ARTICLE 8

## ADDITIONS AND ALTERATIONS

**8.1** **Sublessor's Consent to Alterations**. Sublessee shall not make, permit, or cause to be made Alterations to the Premises without first obtaining the written approval of Sublessor, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, Sublessee shall have the right, at its discretion and sole cost, without obtaining the prior written consent of Sublessor, but subject to all governmental requirements, and subject to first notifying Sublessor in writing of such proposed Alterations, to make any interior nonstructural Alterations to the Building it may desire so long as the cost thereof does not exceed $50,000.00. Any request for consent to (or notice of) Alterations shall be accompanied by two (2) complete sets of plans and specifications for the proposed Alterations, suitable for submission to Sublessor's architect for evaluation. Sublessee shall pay all reasonable costs incurred by Sublessor in the evaluation of the plans and specifications, including, but not limited to, architects' and engineers' fees and an Administrative Fee. In addition, as a condition to its consent, Sublessor may require Sublessee to furnish assurances satisfactory to Sublessor that all contractors who will perform such work have in force workers' compensation and such other employee and comprehensive general liability insurance as Sublessor deems necessary to supplement the insurance coverage provided for in this Sublease. Sublessor may impose, as a condition of its consent to any and all Alterations, such requirements as Sublessor in its sole discretion may deem desirable, including, but not limited to, the requirement that Sublessee utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen selected by Sublessee from a list provided and consented to by Sublessor, the requirement that upon Sublessor's request, Sublessee shall, at Sublessee's expense, remove such Alterations upon the expiration or any early termination of the Term of the Sublease. In addition, Sublessor may require that Sublessee provide Sublessor, at Sublessee's sole cost and expense, a performance and/or payment bond or a lien and completion bond or some alternate form of security satisfactory to Sublessor (and naming Sublessor as a co-obligee) in an amount equal to one and one-half (1½) times the estimated cost of the Alterations, to ensure Sublessor that said Alterations shall be completed lien-free and satisfactorily to Sublessor. Sublessee shall give Sublessor notice at least twenty

(20) days prior to the commencement of any such work on the Premises (or such additional time as may be necessary under applicable laws) to afford Sublessor the opportunity of posting and recording appropriate notices of non-responsibility. Sublessor shall have the right at all reasonable times to post and keep posted on the Premises any notices which it deems necessary for protection from such liens. Any consent or supervision by Sublessor of such Alterations shall in no event constitute Sublessor's approval of the work so performed, nor shall Sublessor be responsible for or have any liability with respect to such supervision or work. Copies of required building permits or authorizations shall be obtained by Sublessee at its expense and Sublessee shall furnish copies of same to Sublessor.

**8.2** **Manner of Construction**.

In the event that Sublessor gives its prior written consent to any Alterations, or if such consent is not required, Sublessee agrees that in connection with any Alteration: (i) the Alterations shall be constructed using materials of equal or greater quality to the existing Improvements, and the fair market value of the Premises shall not be lessened in any material respect after the completion of any such Alteration, or its structural integrity impaired; (ii) the Alteration and any Alteration theretofore made or thereafter to be made shall not in the aggregate reduce the gross floor area of the Improvements by more than five percent (5%); (iii) all such Alterations shall be performed in a good and workmanlike manner in accordance with the plans and specifications consented to by Sublessor, and shall be expeditiously completed in compliance with all Legal Requirements; (iv) all work done in connection with any such Alteration shall comply with all Insurance Requirements; (v) Sublessee shall promptly pay all costs and expenses of any such Alteration, and shall discharge all liens filed against any of the Premises arising out of the same; (vi) Sublessee shall procure and pay for all permits and licenses required in connection with any such Alteration; and (vii) upon completion thereof, all such Alterations shall be the property of Sublessor and shall be subject to this Sublease. In addition, upon completion of any Alterations, Sublessee agrees to cause a Notice of Completion (or similar document evidencing completion of the work) to be recorded, and Sublessee shall deliver to Sublessor a reproducible copy of the "as built" set of plans and specifications (modified to reflect change orders) of the Alterations as well as all permits, approvals and other documents issued by any governmental agency in connection with the Alterations.

**8.3** **Construction Insurance**. In addition to the requirements of Article 10 of this Sublease, in the event that Sublessee makes any Alterations, prior to the commencement of such Alterations, Sublessee shall provide Sublessor with evidence that Sublessee carries "**Builder's All Risk**" insurance in an amount approved by Sublessor covering the construction of such Alterations, and such other insurance as Sublessor may require, it being understood and agreed that all of such Alterations shall be insured by Sublessee pursuant to Article 10 of this Sublease immediately upon completion thereof.

## ARTICLE 9

## COVENANT AGAINST LIENS; RECORDING; TITLE

**9.1** **Liens**. Sublessee shall not, directly or indirectly, create or permit to be created or to remain, and shall promptly discharge, any lien on the Premises, Sublessor's reversionary estate therein, on the Minimum Annual Rent, Additional Rent or on any other sums payable by Sublessee under this Sublease, other than Permitted Encumbrances, and encumbrances or other charges created by or resulting from any act or omission by Sublessor or those claiming by, through or under Sublessor (but not Sublessee). Notice is hereby given that Sublessor shall not be liable for any labor, services or materials furnished or to be furnished to Sublessee, or to anyone holding any of the Premises through or under Sublessee, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of Sublessor in and to any of the Premises. Sublessee shall give Sublessor notice at least twenty (20) days prior to the commencement of any such work on the Premises (or such additional time

as may be necessary under applicable laws) to afford Sublessor the opportunity of posting and recording appropriate notices of non-responsibility. Sublessor shall have the right at all reasonable times to post and keep posted on the Premises any notices which it deems necessary for protection from such liens.

**9.2** **Intentionally Deleted**.

**9.3** **Creation of Subleasehold Only**. Nothing in this Sublease and no action or inaction by Sublessor shall be deemed or construed to mean that Sublessor has granted to Sublessee any right, power or permission to do any act or to make any agreement which may create, give rise to, or be the foundation for, any right, title, interest or lien in or upon the estate of Sublessor in any of the Premises.

## ARTICLE 10

## INDEMNITY AND INSURANCE

**10.1** **Indemnification and Waiver**. The provisions of this Article shall survive the expiration or sooner termination of this Sublease including, without limitation, any period where Sublessee remains in possession of (or responsible for) the Premises beyond such expiration or sooner termination.

**10.1.1** Sublessee hereby unconditionally assumes all risk of damage to property or injury to persons in, upon or about the Premises for any reason and from any cause whatsoever and agrees the Sublessor Parties shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by or to Sublessee or by or to other persons claiming through Sublessee. Sublessee shall indemnify, defend, protect, and hold harmless the Sublessor Parties from any and all Claims and Losses incurred in connection with, in any way relating to, or arising from: (i) the Premises or this Sublease; (ii) the use, non-use, occupancy, condition, design, construction, maintenance, repair or rebuilding of the Premises; and (iii) any injury to or death of any person or persons or any loss of or damage to any property, real or personal, in any manner arising from or connected with the Premises or this Sublease. Sublessee's obligations under this paragraph shall apply (and not be reduced) whether or not Sublessor has or should have knowledge or notice of the defect or conditions, if any, causing or contributing to the Claims and Losses and whether or not the Claims and Losses were caused by any Sublessor Parties negligence. Sublessee shall indemnify, defend, protect, and hold harmless the Sublessor Parties for Claims and Losses in any way relating to or arising from: (a) any causes in, on or about the Premises; (b) any activity, work, or thing done, or permitted or suffered by Sublessee in, on, or about the Premises; (c) any acts, omission, or negligence of Sublessee or of any person claiming under Sublessee, or the contractors, agents, employees, invitees, or visitors of Sublessee or any such person; (d) any breach, violation, or non-performance by Sublessee or any person claiming under Sublessee or the employees, agents, contractors, invitees, or visitors of Sublessee or any such person of any term, covenant, or provision of this Sublease or any law, ordinance, or governmental requirement of any kind; (e) any injury or damage to the person, property, or business of Sublessee, its employees, agents, contractors, invitees, visitors, or any other person entering upon the Premises under the express or implied invitation of Sublessee; or (f) the placement of any personal property or other items within the Premises. The foregoing indemnity is intended to apply to all Claims and Losses incurred directly by the Sublessor Parties, or their property, as well as by any third party or their property. Should Sublessor be named as a defendant in any suit brought against Sublessee in connection with or arising out of Sublessee's occupancy of the Premises, Sublessee shall pay to Sublessor its costs and expenses incurred in such suit, including without limitation, its actual professional fees such as appraisers', accountants', experts', and in-house and outside attorneys' fees including, without limitation, cumis counsel. Further, Sublessee's agreement to indemnify Sublessor pursuant to this Section is not intended and shall not relieve any insurance carrier of its obligations under policies required to be carried by Sublessee pursuant to the provisions of this Sublease, to the extent such

policies cover the matters subject to Sublessee's indemnification obligations; nor shall they supersede any inconsistent agreement of the parties set forth in any other provision of this Sublease.

**10.1.2** Sublessee's obligation to indemnify shall include the greater of (a) actual cost, or (b) the commercially reasonable professional rates, for in-house and outside attorneys' fees and investigation costs and all other reasonable costs, expenses and liabilities incurred by Sublessor or its counsel from the first notice that any claim or demand is to be made or may be made. Payment shall not be a condition precedent to the enforcement of any indemnity provision in this Sublease. If any action or proceeding shall be brought against any Sublessor Parties for which Sublessee is to provide indemnification under this Sublease, then the Sublessor Parties shall be entitled to pursue either of the following options, both at Sublessee's sole cost and expense:

**10.1.2.1** The Sublessor Parties shall be entitled to, in their sole and complete discretion, to select separate counsel to defend the Sublessor Parties at commercially reasonable rates and to change counsel at any time; or

**10.1.2.2** Sublessee upon notice from any Sublessor Party shall defend the same; provided, however, that if at any time (including, without limitation, after Sublessee has retained counsel) any Sublessor Parties have articulable reasons to disapprove the counsel chosen by Sublessee to defend the Sublessor Parties or asserts a conflict of interest, any Sublessor Party may, but shall not be obligated to, disapprove such counsel by written notice to Sublessee stating with reasonable specificity the reasons for such disapproval. In the event of any such disapproval, the Sublessor Parties shall be entitled to: (i) select and retain counsel as provided in Section 10.1.2.1 above; or (ii) cause Sublessee to discharge the disapproved counsel and choose replacement counsel reasonably acceptable to the Sublessor Parties.

**10.1.3** Sublessee shall not be required to indemnify and hold Sublessor harmless from any claims and losses determined by a court of competent jurisdiction to have been caused solely by the willful misconduct of the Sublessor Parties (except for damage to Sublessee's personal property, fixtures, furniture and equipment in the Premises, to the extent Sublessee is required to obtain insurance coverage therefor pursuant to the terms of this Sublease).

**10.2** **Sublessee's Compliance With Insurance Requirements**. Sublessee shall, at Sublessee's expense, comply with all insurance company requirements pertaining to the use of the Premises, whether such insurance is obtained by Sublessee or Sublessor. If Sublessee's conduct or use of the Premises causes any increase in the premium charged to Sublessor for its insurance (if any) then Sublessee shall reimburse Sublessor for any such increase. Sublessee, at Sublessee's expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

**10.3** **Sublessee's Insurance Specifications and Limits**. Sublessee shall maintain the coverages set forth in **Exhibit E** attached hereto during the entire Term of the Sublease. In addition, Sublessee shall carry and maintain during the entire Term of the Sublease, at Sublessee's sole cost and expense, increased amounts of the insurance required to be carried by Sublessee pursuant to this Article and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Sublessee's operations therein, as may be reasonably requested by Sublessor, Landlord, Lender, credit facilitator, or credit enhancer.

**10.4** **Subrogation**. Sublessor and Sublessee intend that all property loss and injury risks shall be borne by Sublessee and its insurance carriers. Accordingly, Sublessee hereby agrees to look solely to, and seek recovery only from, Sublessee's insurance carriers (and not Sublessor or Sublessor's insurance) in the event of an injury or property loss. Sublessee hereby waives all rights and claims against Sublessor

and its insurance companies and Sublessee further waives all rights of subrogation of Sublessee's insurers, provided such waiver of subrogation shall not affect the right of Sublessee to recover thereunder. Sublessee agrees that its insurance policies are now, or shall be, endorsed to reflect the foregoing waiver of subrogation. Upon request, Sublessee will cause all other occupants of the Premises claiming by, under, or through Sublessee to execute and deliver to Sublessor a waiver of claims similar to the waiver in this Section 10.4 and to obtain such waiver of subrogation rights endorsements.

## ARTICLE 11

## CONDEMNATION; DAMAGE AND DESTRUCTION; RESTORATION

**11.1** **Notice of Condemnation**. Sublessee, promptly upon obtaining knowledge of the institution of any proceeding for Condemnation, shall notify Sublessor thereof and Sublessor shall be entitled to participate in any Condemnation proceeding. Sublessor, promptly after obtaining knowledge of the institution of any proceeding for Condemnation, shall notify Sublessee thereof and Sublessee shall have the right to participate in such proceedings. All Improvements are deemed to inure to Sublessor and shall be deemed Sublessor's property for purposes of condemnation. Subject to the provisions of this Article, Sublessee hereby irrevocably assigns to Lender (if any) or to Sublessor, in that order, any award or payment in respect of any Condemnation of Sublessor's interest in the Premises including Improvements and Trade Fixtures, except that (except as hereinafter provided) nothing in this Sublease shall be deemed to assign to Sublessor or Lender any award or payment on account of the Improvements or Trade Fixtures residually owned by Sublessee which are not inuring or being abandoned to Sublessor at any time during, at expiration or earlier termination of the Term of the Sublease, moving expenses and out-of-pocket expenses incidental to the move, if available, to the extent Sublessee shall have a right to make a separate claim therefor against the condemnor, it being agreed, however, that in no event shall Sublessee be entitled to any payment that reduces the award to which Sublessor is or would be entitled for the condemnation of Sublessor's interest in the Premises.

**11.2** **Restoration after Condemnation**. In the event of a Condemnation of any part of the Premises, subject to the requirements of this Article, the Net Award shall be retained by Sublessor or, if applicable, Lender. Promptly after such Condemnation, Sublessee shall commence and diligently continue the Restoration of the Premises in accordance with the provisions of this Sublease, including but not limited to the provisions of Article 7. In such event, the following provisions shall apply:

**11.2.1** Upon the payment to Sublessor of the Net Award of a Taking, Sublessor and Landlord shall make the Restoration Award available to Sublessee for Restoration, in accordance with the provisions of Section 11.7 below, and promptly after completion of the Restoration, the balance of the Net Award shall be paid to Sublessor. Sublessee shall complete such Restoration (including all Improvements and Equipment), whether or not the Net Award is sufficient for such purpose.

**11.2.2** In the event of a Requisition of the Premises, Sublessor shall apply the Net Award of such Requisition, to the extent available, to the installments of Minimum Annual Rent, Additional Rent or other sums payable by Sublessee hereunder thereafter payable and Sublessee shall pay any balance remaining thereafter. Upon the expiration of the Term, any portion of such Net Award which shall not have been previously credited to Sublessee on account of the Minimum Annual Rent and Additional Rent shall be retained by Sublessor.

**11.3** **Consents**. Except with respect to an award or payment to which Sublessee alone is entitled pursuant to the provisions of this Article, no agreement with any condemnor in settlement of or under threat of any Condemnation shall be made by either Sublessor or Sublessee without the written

consent of the other, and of Landlord and/or Lender, if the Premises are then subject to a mortgage or credit facility, which consent shall not be unreasonably withheld or delayed.

**11.4** **Notice of Casualty**. In the event of any Casualty exceeding $10,000 (regardless of the cause thereof), Sublessee shall give Sublessor immediate notice thereof. Sublessee shall adjust, collect and compromise any and all claims, with the consent of Sublessor and its Landlord, not to be unreasonably withheld or delayed, and Sublessor and Landlord shall have the right to join with Sublessee therein. If the estimated cost of Restoration or repair shall be Fifty Thousand Dollars ($50,000.00) or less, all proceeds of any insurance required under Article 10 shall be payable to Sublessee, provided that there is no Event of Default under this Sublease (in which case the proceeds shall be paid to Sublessor). In all other events, such proceeds shall be paid to Sublessor, or at Sublessor or Landlord's election, to a Trustee designated by Sublessor. The cost of the Trustee, if any, shall be paid by Sublessee and shall not be deducted or paid from the Restoration Fund. Each insurer is hereby authorized and directed upon Sublessor's request to make payment under said policies directly to such Trustee instead of to Sublessor and Sublessee jointly; and Sublessee and Sublessor each hereby appoints such Trustee as its attorney-in-fact to endorse any draft therefor for the purposes set forth in this Sublease.

**11.5** **Restoration after Casualty**. In the event of a Casualty loss exceeding $50,000, Net Proceeds shall be retained by Sublessor or the Trustee (as applicable). Promptly after such casualty, Sublessee, at Sublessor's election, shall commence and diligently continue to perform the Restoration to the Premises in accordance with the provisions of this Sublease, including but not limited to the provisions of Article 7. Upon receipt of such Net Proceeds, the Sublessor or Trustee (as the case may be) shall, to the extent available, make the Net Proceeds available to Sublessee for Restoration, in accordance with the provisions of Section 11.7 below. Sublessee shall complete such Restoration (including all Improvements and Equipment), whether or not the Net Proceeds are sufficient for such purpose. In the event any Casualty occurs at such time as Sublessee shall not have maintained insurance in accordance with this Sublease, Sublessee shall pay the Sublessee Insurance Payment to Sublessor or the Trustee (as applicable).

**11.6** **No Termination or Abatement of Rent**. In the event of any Condemnation or Casualty, the Term shall nevertheless continue and there shall be no abatement or reduction of Minimum Annual Rent, Additional Rent or any other sums payable by Sublessee under the Sublease. Without limiting the generality of the foregoing, during the period of Restoration, all Minimum Annual Rent, Additional Rent and other sums payable hereunder shall continue unabated and unreduced.

**11.7** **Restoration**. The Restoration Fund shall be held and disbursed by Sublessor or the Trustee (as applicable) in accordance with the following conditions:

**11.7.1** Prior to commencement of the Restoration the architects, general contractor(s), and plans and specifications for the Restoration shall be consented by Sublessor, which consent shall not be unreasonably withheld or delayed; and which consent shall be granted to the extent that the plans and specifications depict a Restoration which is substantially similar to the Improvements and Equipment which existed prior to the occurrence of the Casualty or Taking, whichever is applicable.

**11.7.2** At the time of any proposed disbursement, no Event of Default (as defined below) shall be allowed to exist and no mechanics' or materialmen's liens shall have been filed and remain undischarged or unbonded.

**11.7.3** Disbursements shall be made from time to time in an amount not exceeding the hard and soft cost of the work and costs incurred since the last disbursement upon receipt of (l) satisfactory evidence, including architects' certificates of the stage of completion, of the estimated cost of

completion and of performance of the work to date in a good and workmanlike manner in accordance with the contracts, plans and specifications, (2) partial releases of liens, and (3) other reasonable evidence of cost and payment so that Sublessor can verify that the amounts disbursed from time to time are represented by work that is completed in place or delivered to the site and free and clear of mechanics' lien claims.

**11.7.4** Each request for disbursement shall be accompanied by a certificate of Sublessee describing the work, materials or other costs or expenses, for which payment is requested, stating the cost incurred in connection therewith and stating that Sublessee has not previously received payment for such work or expense and the certificate to be delivered by Sublessee upon completion of the work shall, in addition, state that the work has been substantially completed and complies with the applicable requirements of this Sublease.

**11.7.5** Upon Sublessor's request, Sublessor or the Trustee (as applicable) shall retain ten percent (10%) of the Restoration Fund until the Restoration is complete.

**11.7.6** The Restoration Fund shall be kept in a separate interest-bearing federally insured account by Sublessor or the Trustee (as applicable).

**11.7.7** At all times the undisbursed balance of the Restoration Fund held by Sublessor or the Trustee (as applicable) plus any funds contributed thereto by Sublessee shall be not less than the unpaid cost of completing the Restoration, free and clear of all liens.

**11.7.8** In addition, prior to commencement of Restoration and at any time during Restoration, if the estimated cost of Restoration, as reasonably determined by Sublessor, exceeds the amount of the Net Proceeds, the Restoration Award and Sublessee Insurance Payment available for such Restoration, the amount of such excess shall be paid by Sublessee to Sublessor or the Trustee (as applicable) to be added to the Restoration Fund or Sublessee shall fund at its own expense the costs of such Restoration until the remaining Restoration Fund is sufficient for the completion of the Restoration. Any sum in the Restoration Fund which remains in the Restoration Fund upon the completion of Restoration shall be paid to Sublessee. For purposes of determining the source of funds with respect to the disposition of funds remaining after the completion of Restoration, the Net Proceeds or the Restoration Award shall be deemed to be disbursed prior to any amount added by Sublessee.

**11.8 <u>Waiver of Statutory Provisions</u>.**

**11.8.1** The provisions of this Sublease, including this Article, constitute an express agreement between Sublessor and Sublessee with respect to any and all damage to, or destruction of, all or any part of the Premises. The parties hereby expressly waive any statute or regulation of the State in which the Premises are located that provides for any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other similar statute or regulation, now or hereafter in effect, and agree that any such statute or regulation shall have no application to this Sublease or any damage or destruction to all or any part of the Premises.

**11.8.2** The parties waive such rights of Sublease termination (if any) as may be granted them in the event of a Condemnation by the laws of the State in which the Premises are located, it being their agreement that the parties have no such rights of termination as a result of any Condemnation or Casualty.

## ARTICLE 12

## NONWAIVER

No provision of this Sublease shall be deemed waived by either party hereto unless expressly waived in a writing signed thereby. The waiver by either party hereto of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Sublessor shall not be deemed to be a waiver of any preceding breach by Sublessee of any term, covenant or condition of this Sublease, other than the failure of Sublessee to pay the particular Rent so accepted, regardless of Sublessor's knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance of a lesser amount than the Rent herein stipulated shall be deemed a waiver of Sublessor's right to receive the full amount due, nor shall any endorsement or statement on any check or other payment form or any letter accompanying such check or other payment form be deemed an accord and satisfaction, and Sublessor may accept such check or payment without prejudice to Sublessor's right to recover the full amount due. No receipt of monies by Sublessor from Sublessee after the termination of this Sublease shall in any way alter the length of the Term of the Sublease or of Sublessee's right of possession hereunder, or after the giving of any notice shall reinstate, continue or extend the Term of the Sublease or affect any notice given Sublessee prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit, or after final judgment for possession of the Premises, Sublessor may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

## ARTICLE 13

## PERMITTED CONTESTS

**13.1** After prior written notice to Sublessor, Sublessee shall not be required to (i) pay any Imposition, (ii) comply with any Legal Requirement, (iii) discharge or remove any mechanic's lien arising from Sublessee's construction activities so long as Sublessee shall contest, in good faith and at its expense, the existence, the amount or the validity thereof, the amount of the damages caused thereby, or the extent of its or Sublessor's liability therefor, by appropriate proceedings which shall operate during the pendency thereof to prevent (a) the collection of, or other realization upon, the Imposition or lien so contested, (b) the sale, forfeiture or loss of any of the Premises, any Minimum Annual Rent or any Additional Rent to satisfy the same or to pay any damages caused by the violation of any such Legal Requirement or by any such violation, (c) any interference with the use or occupancy of any of the Premises, (d) any interference with the payment of any Minimum Annual Rent or any Additional Rent, (e) the cancellation of any fire or other insurance policy.

**13.2** In no event shall Sublessee pursue any contest with respect to any Imposition, Legal Requirement, lien, or violation, referred to above in such manner that exposes Sublessor or Landlord to (i) criminal liability, penalty or sanction, (ii) any civil liability, penalty or sanction for which Sublessee has not made provisions reasonably acceptable to Sublessor and Landlord or (iii) defeasance of its interest in the Premises.

**13.3** In connection with any contest, Sublessor may require that Sublessee provide Sublessor, at Sublessee's sole cost and expense, a performance and/or payment bond or a lien and completion bond in an amount equal to one and one-half (1½) times the amount in dispute.

**13.4** Sublessee agrees that each such contest shall be promptly and diligently prosecuted to a final conclusion, except that Sublessee shall have the right to attempt to settle or compromise such contest

through negotiations. Sublessee shall pay and save Landlord and Sublessor harmless against any and all Claims and Losses in connection with any such contest and shall, promptly after the final determination of such contest, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, together with all penalties, fines, interest, costs and expenses thereof or in connection therewith, and perform all acts the performance of which shall be ordered or decreed as a result thereof.

## ARTICLE 14

## ASSIGNMENT AND SUBLETTING

**14.1** **Transfers**. Sublessee shall not, without the prior written consent of Sublessor, Transfer this Sublease or any interest hereunder or permit the Transfer this Sublease or any interest hereunder. If Sublessee desires Sublessor's consent to any Transfer, Sublessee shall deliver to Sublessor a Transfer Notice (including all documents required to be delivered therewith). Any Transfer made without Sublessor's prior written consent shall, at Sublessor's option, be null, void and of no effect, and shall, at Sublessor's option, constitute an Event of Default by Sublessee under this Sublease. Whether or not Sublessor consents to any proposed Transfer, Sublessee shall pay Sublessor's Transfer Expenses within thirty (30) days after written request by Sublessor. In addition, as a condition to the effectiveness of any Transfer (whether a Permitted Transfer or consummated with Sublessor's consent), Sublessee and/or the Transferee shall pay the Transfer Fee to Sublessor at the time the Transfer Notice is provided to Sublessor.

**14.2** **Sublessor's Consent**. Sublessor shall not unreasonably withhold its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. Without limitation as to other reasonable grounds for withholding consent, the parties hereby agree that it shall be reasonable under this Sublease and under any applicable law for Sublessor to withhold consent to any proposed Transfer where Sublessor determines in good faith that one or more of the following apply:

**14.2.1** The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Premises, or would be a significantly less prestigious occupant of the Subject Space than Sublessee;

**14.2.2** The Transferee intends to use the Subject Space for purposes which are not permitted under this Sublease;

**14.2.3** The Transferee is either a governmental or quasi-governmental agency or instrumentality thereof (other a charter school);

**14.2.4** The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested;

**14.2.5** The terms of the proposed Transfer will allow the Transferee to exercise a right of renewal, purchase right, or other similar right held by Sublessee; or

**14.2.6** The Transferee does not intend to occupy the entire Premises and conduct its business therefrom for a substantial portion of the term of the Transfer.

If Sublessor consents to any Transfer, Sublessee may within four (4) months after Sublessor's consent, but not later than the expiration of the one hundred eighty (180) day period set forth in the

Transfer Notice, enter into such Transfer of the Premises or portion thereof, upon the same terms and conditions as are set forth in the Transfer Notice furnished by Sublessee to Sublessor pursuant to this Sublease, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Sublessor would initially have been entitled to refuse its consent to such Transfer under this Sublease, or (ii) which would cause the proposed Transfer to be more favorable to the Transferee than the terms set forth in Sublessee's original Transfer Notice, Sublessee shall again submit the Transfer to Sublessor for its approval and other action under this Article. Notwithstanding anything to the contrary in this Sublease, if Sublessee or any proposed Transferee claims that Sublessor has unreasonably withheld or delayed its consent under Section 14.2 or otherwise has breached or acted unreasonably under this Article, their sole remedies shall be a declaratory judgment and an injunction for the relief sought without any monetary damages, and Sublessee hereby waives all other remedies, including, without limitation, any right at law or equity to terminate this Sublease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee. Sublessee shall indemnify, defend and hold harmless Sublessor from any and all liability, losses, claims, damages, costs, expenses, causes of action and proceedings involving any third party or parties (including without limitation Sublessee's proposed sublease or assignee) who claim they were damaged by Sublessor's wrongful withholding or conditioning of Sublessor's consent.

**14.3** **Transfer Premium**. If Sublessor consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Sublessee shall pay to Sublessor the Transfer Premium defined herein.

**14.4** **Effect of Transfer**. If Sublessor consents to a Transfer and as a condition precedent to the effectiveness of such consent, (i) the terms and conditions of this Sublease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Sublessee or a Transferee, (iii) Sublessee shall deliver to Sublessor, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Sublessor, (iv) Sublessee shall furnish upon Sublessor's request a complete statement, certified by an independent certified public accountant, or Sublessee's chief financial officer, setting forth in detail the computation of any Transfer Premium Sublessee has derived and shall derive from such Transfer; and (vi) no Transfer relating to this Sublease or agreement entered into with respect thereto, whether with or without Sublessor's consent, shall relieve Sublessee or any guarantor of the Sublease from any liability under this Sublease, including, without limitation, in connection with the Subject Space. Sublessor or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Sublessee relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Sublessee shall, within thirty (30) days after demand, pay the deficiency, and if understated by more than two percent (2%), Sublessee shall pay Sublessor's costs of such audit.

**14.5** **Intentionally Deleted.**

**14.6** **Occurrence of Default**. Any Transfer hereunder shall be subordinate and subject to the provisions of this Sublease, and if this Sublease shall be terminated during the term of any Transfer, Sublessor shall have the right to: (i) treat such Transfer as canceled and repossess the Subject Space by any lawful means, or (ii) require that such Transferee attorn to and recognize Sublessor as its Sublessor under any such Transfer. If Sublessee shall be in default under this Sublease, Sublessor is hereby irrevocably authorized, as Sublessee's agent and attorney-in-fact, to direct any Transferee to make all payments under or in connection with the Transfer directly to Sublessor (which Sublessor shall apply towards Sublessee's obligations under this Sublease) until such default is cured. Such Transferee shall rely on any representation by Sublessor that Sublessee is in default hereunder, without any need for confirmation thereof by Sublessee. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Sublessee thereafter to be performed or observed under this Sublease. No

collection or acceptance of rent by Sublessor from any Transferee shall be deemed a waiver of any provision of this Article or the approval of any Transferee or a release of Sublessee from any obligation under this Sublease, whether theretofore or thereafter accruing. In no event shall Sublessor's enforcement of any provision of this Sublease against any Transferee be deemed a waiver of Sublessor's right to enforce any term of this Sublease against Sublessee or any other person. If Sublessee's obligations hereunder have been guaranteed, Sublessor's consent to any Transfer shall not be effective unless the guarantor also consents to such Transfer.

## ARTICLE 15

## SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

**15.1** **Surrender of Premises**. No act or thing done by Sublessor or any agent or employee of Sublessor during the Term of the Sublease shall be deemed to constitute an acceptance by Sublessor of a surrender of the Premises unless such intent is specifically acknowledged in writing by Sublessor. The delivery of keys to the Premises to Sublessor or any agent or employee of Sublessor shall not constitute a surrender of the Premises or effect a termination of this Sublease, whether or not the keys are thereafter retained by Sublessor, and notwithstanding such delivery Sublessee shall be entitled to the return of such keys at any reasonable time upon request until this Sublease shall have been properly terminated. The voluntary or other surrender of this Sublease by Sublessee, whether accepted by Sublessor or not, or a mutual termination hereof, shall not work a merger, and at the option of Sublessor shall operate as an assignment to Sublessor of all subleases or subtenancies affecting the Premises or terminate any or all such sublessees or subtenancies.

**15.2** **Delivery of Possession**. Upon the expiration or earlier termination of this Sublease, Sublessee shall peaceably leave and surrender the Premises (except as to any portion thereof with respect to which this Sublease has previously terminated) to Sublessor. Sublessee shall surrender the Premises to Sublessor good order and condition and, subject to Sublessor's rights under Section 19.2.5 below, Sublessee shall remove from the Premises on or prior to such expiration or earlier termination the Trade Fixtures and personal property which is owned by Sublessee or third parties other than Sublessor, and Sublessee at its expense shall, on or prior to such expiration or earlier termination, repair any damage caused by such removal. Trade Fixtures and personal property not so removed at the end of the Term or within thirty days after the earlier termination of the Term for any reason whatsoever shall, at Sublessor's option, become the property of Sublessor, and Sublessor may thereafter cause such property to be removed from the Premises. The cost of removing and disposing of such property and repairing any damage to any of the Premises caused by such removal shall be borne by Sublessee. Sublessor shall not in any manner or to any extent be obligated to reimburse Sublessee for any property which becomes the property of Sublessor as a result of such expiration or earlier termination (including pursuant to the exercise of Sublessor's rights under Section 19.2.5 below). Sublessee waives all claims against Sublessor for any damage to Sublessee resulting from Sublessor's retention or disposition of any such Trade Fixtures or Sublessee's personal property. Sublessee shall be liable to Sublessor for Sublessor's costs for storing, removing and disposing of any Trade Fixtures or Sublessee's personal property and shall indemnify and hold Sublessor harmless from the claim of any third party to an interest in said personal property.

## ARTICLE 16

## HOLDING OVER

If Sublessee holds over after the expiration of the Term of the Sublease or earlier termination thereof, with or without the express or implied consent of Sublessor, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Rent shall be payable at a monthly rate equal to one hundred fifty percent (150%) of the amount of Rent paid by Sublessee during the last rentable period of the Term of the Sublease. Such month-to-month tenancy shall be subject to every other applicable term, covenant and agreement contained herein. For purposes of this Article, a holding over shall include, without limitation, Sublessee's failure to remove items and restore the Premises as required in Article 15, above. Nothing contained in this Article shall be construed as consent by Sublessor to any holding over by Sublessee, and Sublessor expressly reserves the right to require Sublessee to surrender possession of the Premises to Sublessor as provided in this Sublease upon the expiration or other termination of this Sublease. The provisions of this Article shall not be deemed to limit or constitute a waiver of any other rights or remedies of Sublessor provided herein or at law. If Sublessee fails to surrender the Premises upon the termination or expiration of this Sublease, in addition to any other liabilities to Sublessor accruing therefrom, Sublessee shall protect, defend, indemnify and hold Sublessor harmless from all loss, costs (including reasonable in-house and outside attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding Sublessee founded upon such failure to surrender and any lost profits to Sublessor resulting therefrom. A termination or non-renewal of this Sublease is not intended to be and shall not be deemed to be a breach of the covenant of good faith and fair dealing.

## ARTICLE 17

## ESTOPPEL CERTIFICATES

Sublessee shall at any time and from time to time, upon not less than twenty (20) days' prior written request from Sublessor, execute, acknowledge and deliver to the Sublessor a statement in writing in the form of **Exhibit D** attached hereto and such other matters as may reasonably be requested by Sublessor or its Landlord. It is intended that any such statements may be relied upon by Sublessor and its Landlord, the recipient of such statements or their assignees or by any prospective purchaser, assignee or sublessee of the Premises. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Premises. Failure of Sublessee to timely execute, acknowledge and deliver such estoppel certificate or other instruments shall constitute an Event of Default and Sublessee's acceptance of the Premises and an acknowledgment by Sublessee that statements included in the estoppel certificate are true and correct, without exception. If Sublessee fails or refuses to execute, acknowledge, and deliver any such document within twenty (20) days after written demand, Sublessor, its successors and assigns will be entitled to execute, acknowledge, and deliver any such document on behalf of Sublessee as Sublessee's attorney-in-fact. Sublessee constitutes and irrevocably appoints Sublessor, its successors and assigns, as Sublessee's attorney-in-fact to execute, acknowledge, and deliver on behalf of Sublessee any documents described in this Article. This Article shall be self-operative and no further instrument shall be required in order to affect it.

## ARTICLE 18

## SUBORDINATION AND ATTORNMENT

**18.1** **Subordination**. This Sublease shall be subject and subordinate to all present and future ground or underlying Subleases of the Premises and to the lien of any Mortgage or other trust deed or

other encumbrances now or hereafter in force against the Premises, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages, trust deeds or other encumbrances, or the lessors under such ground lease or underlying Subleases, require in writing that this Sublease be superior thereto. Sublessee covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn, without any deductions or set-offs whatsoever, to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Sublease, provided such lienholder or purchaser or ground lessor shall agree to accept this Sublease and not disturb Sublessee's occupancy, so long as Sublessee timely pays the rent and observes and performs the terms, covenants and conditions of this Sublease to be observed and performed by Sublessee. Sublessor's interest herein may be assigned as security at any time to any lienholder or Lender. Sublessee shall, within five (5) business days of request by Sublessor, execute such further instruments or assurances as Sublessor or the holders of any mortgages or deeds of trust encumbering the interest of Sublessor in the Building or the ground or underlying lessors of the Building or Premises, or any portion thereof may reasonably deem necessary to evidence or confirm the subordination or superiority of this Sublease to any such mortgages, trust deeds, ground leases or underlying Subleases. If Sublessee fails or refuses to execute, acknowledge, and deliver any such document within five (5) business days after written demand, Sublessor, its successors and assigns will be entitled to execute, acknowledge, and deliver any such document on behalf of Sublessee as Sublessee's attorney-in-fact. Sublessee constitutes and irrevocably appoints Sublessor, its successors and assigns, as Sublessee's attorney-in-fact to execute, acknowledge, and deliver on behalf of Sublessee any documents described in this Article. Sublessee waives the provisions of any current or future statute, rule or law which may give or purport to give Sublessee any right or election to terminate or otherwise adversely affect this Sublease and the obligations of Sublessee hereunder in the event of any foreclosure proceeding or sale. This Article shall be self-operative and no further instrument of subordination shall be required in order to affect it. Upon Sublessee's request, Sublessor agrees to request from its Landlord(s) a Non-Disturbance Agreement.

## ARTICLE 19

## DEFAULTS; REMEDIES

**19.1** **Events of Default**. The occurrence of any of the following shall constitute a default of this Sublease by Sublessee (an "**Event of Default**"):

**19.1.1** Any failure by Sublessee to pay any Rent or any other charge required to be paid under this Sublease, or any part thereof, when due unless such failure is cured within three (3) business days after written notice that said amounts are past due; provided, however, that Sublessee will not be entitled to more than one (1) notice for default in payment of Rent during any twelve (12) month period, and if, within twelve (12) months after any such notice, any Rent is not paid when due, an event of default will have occurred without further notice; or

**19.1.2** Except where a specific time period is otherwise set forth for Sublessee's performance in this Sublease, in which event the failure to perform by Sublessee within such time period shall be an Event of Default by Sublessee under this Section 19.1.2, any failure by Sublessee to observe or perform any other provision, covenant or condition of this Sublease to be observed or performed by Sublessee where such failure continues for ten (10) days after written notice thereof from Sublessor to Sublessee; provided that if the nature of such default is such that the same cannot reasonably be cured within a ten (10) day period, Sublessee shall not be deemed to be in default if it diligently commences

such cure within such period and thereafter diligently proceeds to rectify and cure such default, but in no event exceeding a period of time in excess of thirty (30) days after written notice thereof from Sublessor to Sublessee; or

**19.1.3** To the extent permitted by law, a general assignment by Sublessee or any guarantor of this Sublease for the benefit of creditors, or the taking of any corporate action in furtherance of bankruptcy or dissolution whether or not there exists any proceeding under an insolvency or bankruptcy law, or the filing by or against Sublessee, an Affiliate, or any guarantor of any proceeding under an insolvency or bankruptcy law, unless in the case of a proceeding filed against Sublessee, an Affiliate, or any guarantor the same is dismissed within sixty (60) days, or the appointment of a trustee or receiver to take possession of all or substantially all of the assets of Sublessee, an Affiliate, or any guarantor, unless possession is restored to Sublessee, an Affiliate, or such guarantor within thirty (30) days, or any execution or other judicially authorized seizure of all or substantially all of Sublessee's assets located upon the Premises or of Sublessee's interest in this Sublease, unless such seizure is discharged within thirty (30) days; or

**19.1.4** Abandonment or vacation of all or a substantial portion of the Premises by Sublessee; or

**19.1.5** The failure by Sublessee to observe or perform according to the provisions of Section 10.3 or any other Insurance Requirements, where such failure continues for more than five (5) business days after notice from Sublessor; or

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law.

**19.2** **Remedies Upon Default**. Upon the occurrence of any Event of Default by Sublessee, Sublessor shall have, in addition to any other remedies available to Sublessor at law or in equity (all of which remedies shall be distinct, separate and cumulative), the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

**19.2.1** Terminate this Sublease, in which event Sublessee shall immediately surrender the Premises to Sublessor, and if Sublessee fails to do so, Sublessor may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Sublessee and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Sublessor may recover from Sublessee the following:

(i) The worth at the time of any unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Sublessee proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term of the Sublease after the time of award exceeds the amount of such rental loss that Sublessee proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Sublessor for all the detriment proximately caused by Sublessee's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new Sublessee, whether for the same or a different use, and any special concessions made to obtain a new Sublessee; and

(v) At Sublessor's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "rent" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Sublessee pursuant to the terms of this Sublease, whether to Sublessor or to others. As used in Paragraphs 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the Default Rate, but in no case greater than the maximum amount of such interest permitted by law. As used in Paragraph 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

**19.2.2** To the extent that Sublessee was permitted to occupy the Premises without the payment of Rent or at a reduced Rent at the beginning of the Term of the Sublease ("reduced rent period"), Sublessor shall be entitled to an amount equal to what the Rent would have been during the reduced rent period to be determined at the Rent rate per month established for the last month of the first year of the Term of the Sublease of this Sublease (including any renewal or extension of this Sublease).

**19.2.3** Upon the occurrence of an Event of a Default, Sublessor shall have the remedy to continue the Sublease in effect after Sublessee's breach and abandonment and recover rent as it becomes due, if Sublessee has the right to sublet or assign, subject only to reasonable limitations. Accordingly, if Sublessor does not elect to terminate this Sublease on account of any Event of Default by Sublessee, Sublessor may, from time to time, without terminating this Sublease, enforce all of its rights and remedies under this Sublease, including the right to recover all rent as it becomes due.

**19.2.4** Sublessor shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under Sections 19.2.1 through 19.2.3, above, or any law or other provision of this Sublease), without prior demand or notice except as required by applicable law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Sublease, or restrain or enjoin a violation or breach of any provision hereof.

**19.2.5** In addition to any other rights and remedies set forth in this Sublease, upon any termination of this Sublease due to an Event of Default or upon the end of the Term of the Sublease, Sublessor shall have the right (but not the obligation) to become the owner of some or all of the Trade Fixtures located on the Premises (at Sublessor's sole discretion) which existed prior to such Event of Default. Sublessor shall exercise the foregoing right, if at all, no later than ninety (90) days after the termination of the Sublease due to an Event of Default. Sublessor reserves the right to demand a mandatory meeting between Sublessor and Sublessee (or, if Sublessee refuses such demand, to enter onto the Premises at any time) at any time to establish and document those items that shall be removed or left. Upon Sublessor's request, Sublessee shall execute and deliver a General Assignment and Bill of Sale (or other similar document) confirming Sublessor's ownership of the applicable Trade Fixtures. If Sublessee fails or refuses to execute, acknowledge, and deliver any such document within five (5) business days after written demand, Sublessor, its successors and assigns will be entitled to execute, acknowledge, and deliver any such document on behalf of Sublessee as Sublessee's attorney-in-fact.

**19.3** **Subleases of Sublessee**. Whether or not Sublessor elects to terminate this Sublease on account of any Event of Default, as set forth in this Article, Sublessor shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Sublessee and affecting the Premises or may, in Sublessor's sole discretion, succeed to Sublessee's interest in such subleases, licenses, concessions or arrangements. In the event of Sublessor's election to succeed to Sublessee's interest in any such subleases, licenses, concessions or arrangements, Sublessee shall, as of the date of notice by Sublessor of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

**19.4** **Form of Payment After Default**. Following the occurrence of an Event of Default by Sublessee, Sublessor shall have the right to require that any or all subsequent amounts paid by Sublessee to Sublessor hereunder, whether to cure the default in question or otherwise, be paid in the form of cash, money order, cashier's or certified check drawn on an institution acceptable to Sublessor, or by other means approved by Sublessor, notwithstanding any prior practice of accepting payments in any different form.

**19.5** **Efforts to Relet**. No re-entry or repossession, repairs, maintenance, changes, alterations and additions, reletting, appointment of a receiver to protect Sublessor's interests hereunder, or any other action or omission by Sublessor shall be construed as an election by Sublessor to terminate this Sublease or Sublessee's right to possession, or to accept a surrender of the Premises, nor shall same operate to release Sublessee in whole or in part from any of Sublessee's obligations hereunder, unless express written notice of such intention is sent by Sublessor to Sublessee. Sublessee hereby irrevocably waives any right otherwise available under any law to redeem or reinstate this Sublease.

**19.6** **Default by Sublessor**. Sublessor shall not be deemed to be in default in the performance of any obligation required by it under this Sublease, or under any agreement executed in connection herewith, unless and until it has failed to perform such obligation within thirty (30) days after receipt of written notice by Sublessee to Sublessor, specifying wherein Sublessor has failed to perform such obligation; provided, however, that if the nature of Sublessor's obligation is such that more than thirty (30) days are required for its performance, then Sublessor shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion. Nothing in this Article shall be interpreted to mean that Sublessee shall have the right to terminate this Sublease or that Sublessee is excused from paying any Rent due hereunder. If Sublessor fails to cure its default during the applicable time period, Sublessee's sole and exclusive remedy shall be to bring an action for its actual damages. Sublessee hereby expressly waives all of its other rights and remedies including, without limitation, any claim for consequential or punitive damages. In the event Sublessor is in default of this Sublease, Landlord has the right to succeed Sublessor as Sublandlord and Sublessee agrees to perform all of its obligations under this Sublease directly to and with the Landord.

## ARTICLE 20

## FINANCIAL STATEMENTS; OTHER DOCUMENTS

Sublessee shall furnish to the Sublessor within one hundred twenty (120) days after the end of each fiscal year of Sublessee a consolidated balance sheet for Sublessee and its parent and its subsidiaries, statements of income, statements of changes in stockholder's equity for Sublessee and its subsidiaries, certified by independent certified public accountants of recognized standing selected by Sublessee, together with copies of all documents and materials filed by it, its parent or its subsidiaries during the year with the United States Securities and Exchange Commission, any state or federal agency, regulatory or licensing body, or its lenders. If there is a guarantor of this Sublease, at such time Sublessee shall provide

all of the foregoing documents and information with respect to such Guarantor(s). Without limiting the foregoing, at any time during the Term of the Sublease, Sublessor may require Sublessee and any Guarantor(s) to provide Sublessor with a current financial statement and financial statements. In addition, Sublessee shall promptly furnish the Sublessor from time to time such other information regarding its operations, business affairs and financial condition concerning the Premises as the Sublessor may reasonably request. Sublessee shall provide the Sublessor with copies of any reports furnished to any state or federal agency, regulatory or licensing body, or lender relative to the Premises or Sublessee's activities and operations.

## ARTICLE 21

## SECURITY DEPOSIT

Concurrent with Sublessee's execution of this Sublease, Sublessee shall deposit the Security Deposit with Sublessor as security for the faithful performance by Sublessee of all of its obligations under this Sublease. If Sublessee defaults with respect to any provisions of this Sublease, including, but not limited to, the provisions relating to the payment of Rent, the removal of property and the repair of resultant damage, Sublessor may, without notice to Sublessee, but shall not be required to apply all or any part of the Security Deposit for the payment of any Rent or any other sum in default and Sublessee shall, within five (5) days of demand therefor, restore the Security Deposit to its original amount. Any unapplied portion of the Security Deposit shall be returned to Sublessee, or, at Sublessor's option, to the last assignee of Sublessee's interest hereunder, within sixty (60) days following the expiration of the Term of the Sublease so long as Sublessee is not in default under this Sublease. Sublessee shall not be entitled to any interest on the Security Deposit. Without limiting the generality of the foregoing, Sublessee acknowledges that the Security Deposit may be held and applied to offset any and all damages arising from Sublessee's default under, or breach of this Sublease. Sublessor is not required to hold the Security Deposit in a separate account and may co-mingle the funds with other funds of Sublessor.

## ARTICLE 22

## SIGNS

**22.1** **Advertising Media**. Sublessee shall not affix upon the Premises any sign, advertising placard, name, insignia, trademark, descriptive material or other like item unless approved by Sublessor in advance. No advertising medium shall be utilized by Sublessee which can be heard or seen outside the Premises or patio area including, without limitation, flashing lights, searchlights, loudspeakers, phonographs, radios or televisions.

**22.2** **Signs**. Notwithstanding anything contained in Section 22.1 to the contrary, Sublessee shall erect signs at its own expense in accordance with (a) the sign criteria established by Sublessor; and (b) all applicable laws, ordinances and regulations, and shall maintain these signs in good condition and repair during the Term. At Sublessor's option, Sublessee shall, at its sole cost and expense, remove some or all of the signs installed by Sublessee upon the expiration or earlier termination of this Sublease.

**22.3** **Prohibited Signage and Other Items**. Any signs, notices, logos, pictures, names or advertisements which are installed and that have not been separately approved by Sublessor may be removed without notice by Sublessor at the sole expense of Sublessee.

**22.4** **Change in Sublessee's Name**. Should the name of Sublessee be legally changed to another name, Sublessee shall be entitled to modify, at Sublessee's sole cost and expense, Sublessee's name on the signage previously installed pursuant to this Article to reflect Sublessee's new name, so long

as Sublessor reasonably determines the new name does not relate to an entity which is of a character or reputation, or is associated with a political orientation or faction, which is inconsistent with the quality of the Premises, or which would otherwise reasonably offend or be unacceptable to a Sublessor of comparable Premises.

## ARTICLE 23

## LATE CHARGES

Sublessee hereby acknowledges that late payment by Sublessee to Sublessor of Rent due hereunder will cause Sublessor to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing, administration and accounting charges and late charges which may be imposed on Sublessor by the terms of any encumbrance covering the Premises. Accordingly, if any installment of Rent or any other sum due from Sublessee shall not be received by Sublessor or Sublessor's designee within five (5) days after said amount is due, then Sublessee shall pay to Sublessor a late charge equal to the greater of (i) five percent (5%) of the overdue amount, or (ii) two Hundred Fifty Dollars ($250.00). In addition, Sublessee shall pay any in-house and outside attorneys' fees incurred by Sublessor by reason of Sublessee's failure to pay Rent and/or other charges when due hereunder. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Sublessor's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Sublessor's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing under this Sublease which are not paid within five (5) days after the date they are due shall bear interest from the date when due until paid at the Default Rate.

## ARTICLE 24

## SUBLESSOR'S RIGHT TO CURE DEFAULT; PAYMENTS BY SUBLESSEE

**24.1** **Sublessor's Cure**. All covenants and agreements to be kept or performed by Sublessee under this Sublease shall be performed by Sublessee at Sublessee's sole cost and expense and without any reduction of Rent, except to the extent, if any, otherwise expressly provided herein. If Sublessee shall fail to perform any obligation under this Sublease, and such failure shall continue in excess of the time allowed under Section 19.1, above, unless a specific time period is otherwise stated in this Sublease, Sublessor may, but shall not be obligated to, make any such payment or perform any such act on Sublessee's part without waiving its rights based upon any default of Sublessee and without releasing Sublessee from any obligations hereunder.

**24.2** **Sublessee's Reimbursement**. Except as may be specifically provided to the contrary in this Sublease, Sublessee shall pay to Sublessor, upon delivery by Sublessor to Sublessee of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Sublessor in connection with the remedying by Sublessor of Sublessee's defaults pursuant to the provisions of Section 24.1; and (ii) sums equal to all expenditures made and obligations incurred by Sublessor in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Sublessor under this Sublease or pursuant to law, including, without limitation, all legal fees and other amounts so expended. Sublessee's obligations under this Section 24.2 shall survive the expiration or sooner termination of the Term of the Sublease.

## ARTICLE 25

## ENTRY BY SUBLESSOR

Sublessor, its agents, contractors, servants and employees may upon 24 hours prior oral notice enter the Premises during business hours upon reasonable notice and complying with any of Sublessee's visitor policies if entry is during school hours (except in the event of an emergency, in which case, Sublessor may enter the Premises at all times without notice), (a) to examine and inspect the Premises; (b) to perform any obligation, or exercise any right or remedy, of Sublessor under this Sublease; (c) to make repairs to the Premises as Sublessor deems necessary or desirable; (d) to perform work necessary to comply with the Legal Requirements and/or Insurance Requirements; (e) to perform work that Sublessor deems reasonably necessary to prevent waste or deterioration in connection with the Premises; (f) to show the Premises to prospective purchasers, Lenders, mortgagees or Sublessees, or to current or prospective Lenders, mortgagees, ground or underlying lessors or insurers; (g) to post notices of nonresponsibility; (h) to take possession due to any breach of this Sublease in the manner provided herein; and (i) perform any covenants of Sublessee which Sublessee fails to perform. Sublessor may make any such entries without the abatement of Rent and may take such reasonable steps as required to accomplish the stated purposes. Sublessee hereby waives any claims for damages or for any injuries or inconvenience to or interference with Sublessee's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by Sublessor's entry, all claims for such damage being hereby reSubleased. In an emergency, Sublessor shall have the right to use any means that Sublessor may deem proper to open the doors in and to the Premises. Any entry into the Premises by Sublessor in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Sublessee from any portion of the Premises. No provision of this Sublease shall be construed as obligating Sublessor to perform any repairs, alterations or decorations. No reentry into or taking of possession of the Premises by Sublessor pursuant to this Article shall be construed as an election to terminate this Sublease unless a written notice of such intention be given to Sublessee or unless the termination thereof be decreed by a court of competent jurisdiction. No notice from Sublessor under this Sublease or under a forcible entry and detainer statute or similar law will constitute an election by Sublessor to terminate this Sublease unless such notice specifically says so. Sublessor reserves the right following any such reentry or re-letting, or both, to exercise its right to terminate this Sublease by giving Sublessee such written notice, and, in that event the Sublease will terminate as specified in such notice.

## ARTICLE 26

## MISCELLANEOUS PROVISIONS

**26.1** **Terms; Captions**. The words "Sublessor" and "Sublessee" as used herein shall include the plural as well as the singular. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

**26.2** **Binding Effect**. Subject to all other provisions of this Sublease, each of the covenants, conditions, and provisions of this Sublease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Sublessor and of Sublessee, but also of their respective heirs, personal representatives, successors or assigns, provided this clause shall not permit any assignment by Sublessee contrary to the provisions of Article 14 of this Sublease.

**26.3** **No Air Rights**. No rights to any view or to light or air over any property, whether belonging to Sublessor or any other person, are granted to Sublessee by this Sublease. If at any time any windows of the Premises are temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in, on, or about the Premises, the same shall be without liability to Sublessor and without any reduction or diminution of Sublessee's obligations under this Sublease.

**26.4** **Modification of Sublease**. Should any current or prospective mortgagee, Landlord, Lender, credit facilitator, or ground lessor for the Premises require a modification of this Sublease, which modification will not cause an increased cost or expense to Sublessee or in any other way materially and adversely change the rights and obligations of Sublessee hereunder, then and in such event, Sublessee agrees that this Sublease may be so modified and agrees to execute whatever documents are reasonably required therefor and to deliver the same to Sublessor within ten (10) days following a request therefor. At the request of Sublessor or any mortgagee, credit facilitator, or ground lessor, Sublessee agrees to execute a short form of Sublease and deliver the same to Sublessor within ten (10) days following the request therefor.

**26.5** **Transfer of Sublessor's Interest**. Sublessee acknowledges that Sublessor has the right to transfer all or any portion of its interest in the Premises or Building and in this Sublease, and Sublessee agrees that in the event of any such transfer, Sublessor shall automatically be released from all liability under this Sublease for the portion of the interest transferred and Sublessee agrees to look solely to such transferee for the performance of Sublessor's obligations hereunder for the portion of the interest transferred after the date of transfer and such transferee shall be deemed to have fully assumed and be liable for all obligations of this Sublease to be performed by Sublessor for the portion of the interest transferred, including the return of any Security Deposit, and Sublessee shall attorn to such transferee. Sublessee further acknowledges that Sublessor may assign its interest in this Sublease to a Lender as additional security and agrees that such an assignment shall not reSublease Sublessor from its obligations hereunder and that Sublessee shall continue to look to Sublessor for the performance of its obligations hereunder.

**26.6** **Prohibition Against Recording**. Neither this Sublease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Sublessee or by anyone acting through, under or on behalf of Sublessee.

**26.7** **Sublessor's Title**. Sublessor's title is and always shall be paramount to the title of Sublessee. Nothing herein contained shall empower Sublessee to do any act which can, shall or may encumber the title of Sublessor.

**26.8** **Relationship of Parties**. Nothing contained in this Sublease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Sublessor and Sublessee.

**26.9** **Application of Payments**. Sublessor shall have the right to apply payments received from Sublessee pursuant to this Sublease, regardless of Sublessee's designation of such payments, to satisfy any obligations of Sublessee hereunder, in such order and amounts as Sublessor, in its sole discretion, may elect.

**26.10** **Time of Essence**. Time is of the essence with respect to Sublessee's performance of every provision of this Sublease in which time of performance is a factor (including, without limitation, Sublessee's delivery of an Option Decline Notice, if any).

**26.11** **Partial Invalidity**. If any term, provision or condition contained in this Sublease shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Sublease shall be valid and enforceable to the fullest extent possible permitted by law.

**26.12** **No Warranty**. In executing and delivering this Sublease, Sublessee has not relied on any representations, including, but not limited to, any representation as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Sublessor is furnishing the same services to other Sublessees, at all, on the same level or on the same basis, or any warranty or any statement of Sublessor which is not set forth herein or in one or more of the exhibits attached hereto. Sublessee agrees that neither Sublessor nor any agent of Sublessor has made any representation or warranty as to the suitability of the Premises for the conduct of Sublessee's business, that any specific Sublessee or number of Sublessees shall occupy any space in buildings adjacent (or in proximity) to the Premises, nor has Sublessor agreed to undertake any modification, alteration or improvement to the Premises except as provided in this Sublease. Sublessee further agrees that neither Sublessor nor any agent of Sublessor has made any representation or warranty with respect to the physical condition of the Premises, the land upon which the Premises are located, or the expenses of operation of the Premises, or any other matter or thing affecting or related to the Premises, except as herein expressly set forth in the provisions of this Sublease.

**26.13** **Sublessor Exculpation**. The liability of Sublessor or the Sublessor Parties to Sublessee for any default by Sublessor under this Sublease or arising in connection herewith or with Sublessor's operation, management, leasing, repair, renovation, alteration or any other matter relating to the Premises shall be limited solely and exclusively to an amount which is equal to the lesser of (a) the interest of Sublessor in the Premises or (b) the equity interest Sublessor would have in the Premises if the Premises were encumbered by third-party debt in an amount equal to eighty percent (80%) of the value of the Premises (as such value is determined by Sublessor), provided that in no event shall such liability extend to any sales or insurance proceeds received by Sublessor or the Sublessor Parties in connection with the Premises. Neither Sublessor, nor any of the Sublessor Parties shall have any personal liability therefor, and Sublessee hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Sublessee. The limitations of liability contained in this Section 26.13 shall inure to the benefit of Sublessor's and the Sublessor Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Sublessor (if Sublessor is a partnership), or trustee or beneficiary (if Sublessor or any partner of Sublessor is a trust), have any liability for the performance of Sublessor's obligations under this Sublease. Notwithstanding any contrary provision herein, neither Sublessor nor the Sublessor Parties shall be liable under any circumstances for injury or damage to, or interference with, Sublessee's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

**26.14** **Entire Agreement**. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Sublease and this Sublease constitutes the parties' entire agreement with respect to the leasing of the Premises and supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Sublessor to Sublessee with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Sublease. None of the terms, covenants, conditions or provisions of this Sublease can be modified, deleted or added to except in writing signed by the parties hereto.

**26.15** **Waiver of Redemption by Sublessee**. Sublessee hereby waives, for Sublessee and for all those claiming under Sublessee, any and all rights now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Sublessee's right of occupancy of the Premises after any termination of this Sublease.

**26.16** **Notices**. All Notices given or required to be given by either party to the other hereunder or by law shall be in writing and shall be (A) transmitted by facsimile or email, if such facsimile or email is promptly followed by a Notice sent by Mail with return receipt requested, (B) delivered by a nationally recognized overnight courier, or (C) delivered personally with receipt of delivery. If any Notice is sent by facsimile or email, the date that the Notice is deemed to be delivered shall be (i) the date a receipt by the receiving party is acknowledged either by return facsimile or email or (ii) the date received by the receiving party by Mail evidenced by return receipt. Any Notice given by overnight courier will be deemed given on the date the overnight courier delivery is made, and any Noticed given by personal delivery will be deemed given on the date personal delivery is made or attempted to be made. If Notice is tendered under the provisions of this Sublease and is refused, or a return receipt is refused to be given, by the intended recipient of the Notice, the Notice shall nonetheless be considered to have been given and shall be effective as of the date provided in this Sublease. The contrary notwithstanding, any Notice given to Sublessee in a manner other than that provided in this Sublease, which is actually received by Sublessee, shall be effective with respect to Sublessee on receipt of such Notice. Any Notice shall be sent, transmitted, or delivered, as the case may be, to Sublessee at the appropriate address set forth in Section 7 of the Basic Sublease Provisions, or to such other place as Sublessee may from time to time designate in a Notice to Sublessor, or to Sublessor at the addresses set forth in Section 8 of the Basic Sublease Provisions, or to such other places as Sublessor may from time to time designate in a Notice to Sublessee. If Sublessee is notified of the identity and address of Sublessor's mortgagee, Lender, or ground or underlying lessor, Sublessee shall give to such mortgagee, Lender, or ground or underlying lessor written notice of any default by Sublessor under the terms of this Sublease by registered or certified mail, and such mortgagee, Lender, or ground or underlying lessor shall be given a reasonable opportunity to cure such default prior to Sublessee's exercising any remedy available to Sublessee.

**26.17** **Joint and Several**. If there is more than one Sublessee, the obligations imposed upon Sublessee under this Sublease shall be joint and several.

**26.18** **Authority**. If Sublessee is a corporation, trust or partnership, each of the persons executing this Sublease on behalf of Sublessee warrants to Sublessor that Sublessee is a duly authorized and existing corporation, that Sublessee is qualified to do business in the state in which the Premises are located, that Sublessee has full right and authority to enter into this Sublease and that each person signing this Sublease on behalf of Sublessee has full authority to do so. Within thirty (30) days after this Sublease is signed, Sublessee shall deliver to Sublessor a certified copy of a resolution of Sublessee's Board of Directors authorizing the execution of this Sublease or other evidence of such authority reasonably acceptable to Sublessor. If Sublessee is a partnership, each person signing this Sublease for Sublessee represents and warrants that he is a general partner of the partnership, that he has full authority to sign for the partnership and that this Sublease binds the partnership and all general partners of the partnership. Sublessee shall give written notice to Sublessor of any general partner's withdrawal or addition. Within thirty (30) days after this Sublease is signed, Sublessee shall deliver to Sublessor a copy of Sublessee's recorded statement of partnership or certificate of limited partnership.

**26.19** **Attorneys' Fees**. In the event that either Sublessor or Sublessee brings any action, arbitration, or proceeding against the other for possession of the Premises or for the recovery of any sum due hereunder, or because of the breach of any covenant, condition, or provision hereof, or for any other relief against the other, declaratory or otherwise, including appeals therefrom, and whether being an action based upon a tort, or contract or this Sublease, then the prevailing party to this Sublease in any

such proceeding shall be paid by the other party to this Sublease in any such proceeding reasonable in-house and outside attorneys' fees (as costs) and all costs of such action or proceeding which shall be enforceable, whether or not such action or proceeding is prosecuted to final judgment, and including an allowance for in-house and outside attorneys' fees (as costs) for appeals and rehearings. Should Sublessor be made a party to any suit or proceeding brought by any third party, arising by reason of Sublessee's use or occupancy of the Premises and not being a dispute essentially between Sublessor and Sublessee, then Sublessee shall defend the same and Sublessor therein, at Sublessee's sole cost and expense, and shall hold Sublessor free and harmless from any liability, duty or obligation therein, including all in-house and outside attorneys' fees of Sublessor.

**26.20** **Governing Law**. THIS SUBLEASE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED. IN THE EVENT SUBLESSOR COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, SUBLESSEE SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, SUBLESSOR AND SUBLESSEE HEREBY CONSENT TO THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE OF NEVADA.

**26.21** **Submission of Sublease**. Submission of this instrument for examination or signature by Sublessee does not constitute a reservation of, option for, or option to Sublease and it is not effective as a Sublease or otherwise until execution and delivery by both Sublessor and Sublessee.

**26.22** **Brokers**. Sublessor and Sublessee hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Sublease, and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Sublease. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation reasonable in-house and outside attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under the indemnifying party.

**26.23** **Independent Covenants**. This Sublease shall be construed as though the covenants herein between Sublessor and Sublessee are independent and not dependent and Sublessee hereby expressly waives the benefit of any statute to the contrary and agrees that if Sublessor fails to perform its obligations set forth herein, Sublessee shall not be entitled to make any repairs or perform any acts hereunder at Sublessor's expense or to any setoff of the Rent or other amounts owing hereunder against Sublessor.

**26.24** **Counterparts**. This Sublease may be executed in counterparts with the same effect as if both parties hereto had executed the same document. Both counterparts shall be construed together and shall constitute a single Sublease.

**26.25** **Confidentiality**. Sublessee acknowledges that the content of this Sublease and any related documents are confidential information. Sublessee shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Sublessee's financial, legal, and space planning consultants.

**26.26** **No Violation**. Sublessee hereby warrants and represents that neither its execution of nor performance under this Sublease shall cause Sublessee to be in violation of any agreement, instrument,

contract, law, rule or regulation by which Sublessee is bound, and Sublessee shall protect, defend, indemnify and hold Sublessor harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable in-house and outside attorneys' fees and costs, arising from Sublessee's breach of this warranty and representation.

**26.27** **Development of the Project**.

**26.27.1** **Intentionally Deleted.**

**26.27.2** **Intentionally Deleted.**

**26.27.3** **Construction of Other Improvements**. Sublessee acknowledges that Sublessor may perform construction on the Premises following Sublessee's occupancy of the Premises, and that such construction may result in levels of noise, dust, obstruction of access, etc. which are in excess of that present in a fully constructed project. Sublessee hereby waives any and all rent offsets or claims of constructive eviction which may arise in connection with such construction.

**26.28** **Intentionally Deleted.**

**26.29** **Waiver of Jury Trial**. SUBLESSEE AND SUBLESSOR HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION OR ARBITRATION OR SIMILAR JUDICIAL PROCEEDING ARISING OUT OF OR IN ANY WAY RELATING TO THIS SUBLEASE.

**26.30** **Hazardous Substances**. Sublessor may, upon reasonable notice to Sublessee, be granted access to and enter the Premises at any time to perform or cause to have performed an environmental inspection, site assessment or audit. Such environmental inspector or auditor may be chosen by Sublessor, in its sole discretion, and be performed at Sublessor's sole expense, except as provided herein. To the extent that the report prepared upon such inspection, assessment or audit, indicates the presence of Hazardous Materials in violation of Environmental Laws, or provides recommendations or suggestions to prohibit the reSublease, discharge, escape or emission of any Hazardous Materials at, upon, under or within the Premises, or to comply with any Environmental Laws, Sublessee shall promptly, at Sublessee's sole expense, comply with such recommendations or suggestions, including, but not limited to performing such additional investigative or subsurface investigations or remediation(s) as recommended by such inspector or auditor and Sublessee shall reimburse Sublessor for the costs or fees of the initial and any subsequent environmental inspection, site assessment or audit report as Additional Rent. Notwithstanding the above, if at any time, Sublessor has actual notice or reasonable cause to believe that Sublessee has violated, or permitted any violations of any Environmental Law, then Sublessor will be entitled to perform an environmental inspection, assessment or audit at any time, and Sublessee must reimburse Sublessor for the cost or fees incurred for such as Additional Rent.

**26.31** **Approval by Landlord**. Sublessee acknowledges and agrees that this Sublease is subject to the approval of the Landlord, and Sublessee hereby agrees to make such modifications of this Sublease as shall be reasonably requested by the Landlord, so long as such modifications shall not increase Rent payable hereunder, or the Term hereof, or otherwise materially, adversely affect Sublessee's rights and obligations hereunder.

**26.32** **Intentionally Deleted**.

**26.33** **State Specific Provisions**. The provisions set forth on **Exhibit F** attached hereto (if any) are incorporated herein by reference.

**26.34 Intentionally Deleted.**

**[End of Sublease Provisions - Exhibits to Follow.]**

# EXHIBIT A

## DEFINITIONS APPLICABLE TO THE SUBLEASE

"**Additional Rent**" shall mean all amounts due and payable by Sublessee under this Sublease other than Minimum Annual Rent.

"**Administrative Fee**" means and refers to any fee or costs charged by Sublessor for its management and overhead with respect to the Sublease and/or the Premises, and/or compensation for time expended (at professional rates) to administer or attend to any provision of the Sublease.

"**Affiliate**" means and refers to any company or entity controlled by, controls, or is under common control with, Sublessee or any company or entity in which Sublessee influences the operation, direction or management. "**Control**," as used in this paragraph means (i) the ownership, directly or indirectly, of at least fifty-one percent (51%) of the voting securities of, or (ii) possession of the right to vote, in the ordinary direction of its affairs, of at least fifty-one percent (51%) of the voting interest in, any person, company or entity.

"**Alteration**" or "**Alterations**" means and refers to mean (whether or not adjacent to or abutting any then-existing buildings) any or all changes, additions, expansions, improvements, reconstructions, removals or replacements of or to any part of the Premises (including, without limitation, the Improvements or Equipment), both interior or exterior, and ordinary and extraordinary.

"**Brokers**" means and refers to the real estate brokers or agents specified in the Basic Sublease Provisions.

"**Building**" means and refers to the buildings, structures and other improvements now existing or hereinafter constructed on the Land.

"**Casualty**" means and refers to any damage or destruction to all or any portion of the Premises regardless of the cause of such damage or destruction and whether or not insured against. Casualty includes, without limitation, damage or destruction caused by fire, vandalism, acts of god or nature, earthquake, and water damage of any and all type.

"**Claims and Losses**" means and refers to (as the context requires) any or all losses, costs, damages, causes of action, suits, claims, demands or judgments, expense and liability of any nature whatsoever, howsoever caused (including without limitation court costs, expert's costs, and reasonable fees for in-house and outside attorneys and their staff members).

"**Condemnation**" means and refers to (i) any Requisition; and/or (ii) Taking.

"**Default Rate**" means and refers to the greater of the following per annum rates: (i) the rate equal to the "prime rate" announced from time to time by Bank of America, a national banking association, or its successor, as its prime rate plus four percent (4%), (ii) twelve percent (12%) per annum, and (iii) the highest rate permitted by applicable law.

"**Equipment**" means and refers to the machinery and equipment which is now or hereinafter attached to the Building or Land in such a manner as to become fixtures under applicable law, together with all additions and accessions thereto, substitutions therefor and replacements thereof permitted by this Sublease, excepting therefrom the Trade Fixtures.

"**Entity Transfers**" means and refers to any of the following: (i) if Sublessee is a partnership or limited liability company, the withdrawal or change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more (calculated on an aggregate basis cumulative over time) of the partners/members, or transfer of fifty percent (50%) or more (calculated on an aggregate basis cumulative over time) of partnership/membership interests, or the dissolution of the partnership/limited liability company without immediate reconstitution thereof, and (ii) if Sublessee is a closely held corporation (*i.e.*, whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Sublessee or (B) the sale or other transfer of an aggregate (cumulative over time) of fifty percent (50%) or more of the voting shares of Sublessee , or (C) the sale, mortgage, hypothecation or pledge of an aggregate (cumulative over time) of fifty percent (50%) or more of the book value or market value (whichever is lesser) of the assets of Sublessee. In addition, Entity Transfer shall include any transaction or series of transactions whereby Sublessee converts from a non-profit entity to a for-profit entity or any change in guarantors, credit enhancers or holders of any charter or operating license for the Sublessee of any type.

"**Environmental Laws**" means and refers to any and all federal, state, local or quasi-governmental laws (whether under common law, statute or otherwise), ordinances, decrees, codes, rulings, awards, rules, compliance or mitigation programs (including, without limitation, asbestos containing materials operation and maintenance plans), regulations or guidance or policy documents now or hereafter enacted or promulgated and as amended from time to time, in any way relating to (i) the protection of the environment, the health and safety of persons (including employees), property or the public welfare from actual or potential release, discharge, escape or emission (whether past or present) of any hazardous materials or (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any hazardous materials.

"**Event of Default**" is defined in Section 19.1.

"**Ground Lease**" means and refers to that certain Ground Lease, dated August 1, 2014, executed by Garden Foods Inc. dba GF Capital, as Ground Lessor, and CSP-Bridger Ave., LLC, as Ground Lessee.

"**Hazardous Materials**" and "**Hazardous Substances**" means and refers to any solid, liquid or gaseous substance or material that is described or characterized as a toxic or hazardous substance, waste, material, pollutant, contaminant or infectious waste, or any matter that in certain specified quantities would be injurious to the public health or welfare, or words of similar import, in any of the Environmental Laws", or any other words which are intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity or reproductive toxicity and includes, without limitation, asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum products, polychlorinated biphenyls, urea formaldehyde, radon gas, nuclear or radioactive matter, medical waste, soot, vapors, fumes, acids, alkalis, chemicals, microbial matters (such as molds, fungi or other bacterial matters), biological agents and chemicals which may cause adverse health effects, including but not limited to, cancers and /or toxicity. The words "Hazardous Materials" and "Hazardous Substances" have the same meaning and can be used interchangeably.

"**Improvements**" means and refers collectively to the Building or any other improvements on, to, or about the Land.

"**Insurance Requirements**" means and refers collectively to any and all of the terms and specifications of each insurance policy required to be carried by Sublessee under this Sublease (including, without limitation, the policies required by the provisions of **Exhibit E** attached to the Sublease) and the requirements of the issuer of such policy, including any existing violation of any thereof. Insurance

Requirements also shall include, if applicable, the requirements of (i) the issuer of any insurance policies procured by Sublessor from time to time; provided, however, that nothing herein shall be deemed or construed as requiring Sublessor to obtain any such insurance policies and (ii) any subsequent requirements of any Lender, credit facilitator, or credit enhancer of Sublessor's which pertain to the Sublessor or Premises.

"**Land**" means and refers to the lot or parcel of land described in **Exhibit B** attached to the Sublease and made a part hereof, together with the appurtenant rights and easements, related thereto.

"**Sublessor Parties**" means and refers collectively to Sublessor, its member, members, partners, partners and their respective officers, agents, servants, employees, and independent contractors.

"**Sublease Commencement Date**" is defined and delineated in the Basic Sublease Provisions.

"**Sublease Expiration Date**" is defined and delineated in the Basic Sublease Provisions.

"**Term of the Sublease**" refers to the Term of the Sublease set forth in Section 3.1 of the Basic Sublease Provisions including any Options to Extend the Term of the Sublease.

"**Landlord"** refers to the owner of the Premises.

"**Legal Requirements**" means and refers collectively to any and all present and future laws, zoning regulations, restrictions, rules and ordinances, codes (including, without limitation, building codes), ordinances, orders, judgments, decrees, injunctions, rules, regulations and requirements, even if unforeseen or extraordinary, of every duly constituted governmental authority or agency and all covenants, conditions, and restrictions now of record which may be applicable to Sublessee, Sublessor (with respect to the Premises) or to all or any part of or interest in the Premises, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of the Premises, even if compliance therewith (i) necessitates structural changes or improvements (including changes required to comply with the" Americans with Disabilities Act" or other similar statutes, whether now existing or enacted in the future), or (ii) results in interference with the use or enjoyment of the Premises, or (iii) requires Sublessee to carry insurance other than as required by the provisions of this Sublease.

"**Lender**" refers, collectively, to any lender(s) or credit facility of Landlord.

"**Mail**" means and refers to a Notice or other correspondence sent by United States certified or registered mail, postage prepaid, return receipt requested.

"**Minimum Annual Rent**" means and refers to the Minimum Annual Rent set forth in the Basic Sublease Provisions (as such amount is increased from time to time).

"**Mortgage**" means and refers to a mortgage in favor of Landlord's Lender encumbering the Premises and/or Sublessor's interest in this Sublease or any Ground Lease.

"**Net Award**" means and refers to the entire award payable to Sublessor by reason of a Condemnation, less any expenses incurred by Sublessor in collecting such award.

"**Net Proceeds**" means and refers to the entire proceeds of any insurance required to be maintained by Sublessee under this Sublease payable in the event of a casualty, less any expenses incurred by Sublessor in collecting such proceeds.

"**Non-Disturbance Agreement**" means and refers to an agreement between Sublessor, its Landlord(s), and Sublessee which provides that Sublessee's possession of the Premises, and this Sublease, including any options to extend the term hereof, will not be disturbed so long as Sublessee has not committed an Event of Default and attorns to the obligations due to the record owner of any portion of the Premises or due to any Lender.

"**Notices**" means and refers to any and all notices, demands, statements, designations, approvals or other given by either party to the other hereunder.

"**Occupant**" means and refers to any lessee, licensee, concessionaire, franchisee or user of a portion of the Premises under a Sublease, sublease, license, concession or franchise or similar agreement whether with Sublessee or any other person.

"**Original Sublessee**" refers to the Sublessee originally named in the Basic Sublease Provisions.

"**Option(s) to Extend the Term of the Sublease**" is defined in the Basic Sublease Provisions.

"**Option Decline Notice**" means and refers to a written notice from Sublessee to Sublessor which: (i) is delivered in strict accordance with the notice requirements of the Sublease; (ii) is received by Sublessor not more than thirty-six (36) months and not less than twenty-four (24) months prior to the then-scheduled Sublease Expiration Date; and (iii) expressly states that Sublessee has irrevocably elected to decline any and all automatic Options to Extend the Term of the Sublease not previously exercised.

"**Permitted Encumbrances**" means and refers to all covenants, conditions, restrictions, reservations, liens, encroachments, easements, ground leases (including, without limitation, the Ground Lease), and other matters now or hereinafter of record or mutual agreement that encumbers the Premises.

"**Permitted Chemicals**" means and refers to commonly available household cleaners and chemicals used to maintain the Premises, in Sublessee's routine operations, and/or which are appropriate for classroom use and which are not (i) hazardous to public welfare or the Premises or any component thereof, and (ii) are not otherwise a Hazardous Material or Hazardous Substance.

"**Premises**" refers collectively to all of the following: (i) the Land (if applicable, subject to the Ground Lease); (ii) the Improvements; and (iii) the Equipment.

"**Rent**" refers collectively to the Minimum Annual Rent, Minimum Monthly Rent and the Additional Rent.

"**Rent Payment Date**" refers to the date which is three (3) calendar days prior to the first (1st) day of each Calendar Month. For example, the Rent Payment Date for February Rent is January 29 and the Rent Payment Date for March Rent is February 26.

"**Requisition**" means and refers to any temporary condemnation or confiscation of the use or occupancy of the Premises by any governmental authority, civil or military, whether pursuant to an agreement with such governmental authority, in settlement of, or under threat of any such requisition or confiscation, or otherwise.

"**Restoration**" means and refers to Sublessee's restoration of the Premises as nearly as possible to its value, condition and character existing immediately prior to a Condemnation or casualty (as the case may be).

"**Restoration Award**" means and refers to a portion of the Net Award equal to the cost of Restoration.

"**Restoration Fund**" means and refers to the aggregate sum of the Net Proceeds, the Restoration Award and Sublessee Insurance Payment.

"**Security Deposit**" means and refers to the Security Deposit set forth in the Basic Sublease Provisions,

"**Subject Space**" means the portion of the Premises that Sublessee proposes to Transfer; provided, however, that in the case of an Entity Transfer, the Subject Space shall mean and refer to the entire Premises.

"**Taking**" means and refers to any taking of the Premises in or by condemnation or other eminent domain proceedings pursuant to any law, general or special, or by reason of any agreement with any condemnor in settlement of, or under threat of any such condemnation or other eminent domain proceedings or by any other means, or any *de facto* condemnation (inverse or otherwise).

"**Sublessee Insurance Payment**" means and refers to an amount equal to the insurance proceeds that would have been payable if Sublessee had maintained the insurance required under the Sublease.

"**Trade Fixtures**" shall mean and refer to all fixtures, equipment and other items of personal property which are not attached to the Premises and are owned by Sublessee and used in the operation of the business conducted on the Premises.

"**Transfer**" or "**Transfers**" means any of the following, whether by agreement or operation of law: (i) assignment, mortgage, pledge, hypothecation, encumbrance (or the attachment of a lien to the Premises or this Sublease) or otherwise transfer of this Sublease or any interest hereunder, (ii) any subletting of the Premises or any part thereof; (iii) any license or concession agreements (written or otherwise) with respect to the Premises or other agreement which permits the occupancy or use of the Premises or any part thereof by any persons other than Sublessee and its employees for the Permitted Use contained herein; and/or (iv) an Entity Transfer.

"**Transfer Expenses**" means and refers to any and all Administrative Fees and reasonable professional fees (including, without limitation, in-house and outside attorneys', accountants', architects', engineers', consultants', and their staff's fees) and all costs incurred by Sublessor in connection with its review, processing, and documentation of a proposed Transfer.

"**Transfer Fee**" means and refers to a fee payable to Sublessor in connection with a Transfer in an amount equal to one month of the then-current Minimum Annual Rent.

"**Transfer Notice**" means and refers to Sublessee's written notice to Sublessor requesting consent to a proposed Transfer. To be valid, a Transfer notice shall include all of the following: (i) the proposed effective date of the Transfer, which shall not be less than sixty (60) days nor more than one hundred eighty (180) days after the date of receipt by the Sublessor of the Transfer Notice, (ii) a description of the Subject Space to be transferred, (iii) all of the terms of the proposed Transfer and the consideration therefor, including calculation of the "Transfer Premium", in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, provided that Sublessor shall have the right to require Sublessee to utilize Sublessor's standard Transfer documents in connection with the documentation of such Transfer, (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, business credit and personal references and

history of the proposed Transferee and any other information required by Sublessor which will enable Sublessor to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Subject Space, and (v) a cashiers' check made payable to Sublessor in the amount of the Transfer Premium as calculated by Sublessee according to the terms of this Section. Such calculation of the Transfer Premium is subject to confirmation and adjustment, if needed, by Sublessor after review of the calculation proposed by Sublessee and contained in the Transfer Notice.

"**Transfer Premium**" shall mean the sum of the following amounts:

(i) if the Transfer is made in connection with an Entity Transfer, the transfer of Sublessee's business, and/or the transfer of substantially all of Sublessee's assets, then fifty percent (50%) of the greater of the amount (A) expressed or (B) any "key" money, bonus or other consideration which by competent business valuation techniques can be determined to be equivalent to the value which could be realized on the sale, transfer, or assignment of the Sublease however reflected, expressed or otherwise built into, either directly or indirectly, the consideration paid for the Sublessee's business or assets or such Entity transfer; **plus**

(ii) fifty percent (50%) of all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer which is in excess of the Rent payable by Sublessee under this Sublease during the term or occupancy continuing from the Transfer date. If less than all of the Premises is transferred the Transfer Premium shall be calculated on a per rentable square foot basis; **plus**

(iii) key money, bonus money or other cash consideration paid by Transferee to Sublessee in connection with such Transfer, and any payment in excess of fair market value for services rendered by Sublessee to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Sublessee to Transferee in connection with such Transfer.

"**Transferee**" means and refers to any person or entity to which any Transfer is made or sought to be made by Sublessee.

"**Trustee**" means and refers to a trustee which shall be a federally insured bank or other financial institution, selected by Sublessor and Sublessee and reasonably satisfactory to Lender; provided, however, that if the Premises are encumbered by a Mortgage or credit facility, such Lender, if it so desires, shall be the Trustee.

"**Work**" means and refers to Alteration or Alterations, repairs or construction work of any kind occurring on or in connection with the Premises.

# EXHIBIT B

## LEGAL DESCRIPTION OF THE LAND PORTION OF THE PREMISES

Lots One (1) through Sixteen (16) in Block Twelve (12) of Ladd's Addition to Las Vegas, as shown by map thereof on file in Book 1 of Plats, Page 2, in the office of the County Recorder, Clark County, Nevada.

Together with that portion of land as vacated by that certain Order of Vacation recorded August 25, 1942 in Book 17 of Miscellaneous Records, Page 409-411, Instrument No. 147858 of Official Records.

Also together with that portion of land as vacated by that certain Order of Vacation recorded May 12, 2004 in Book 20040512 as Instrument No. 0002469 of Official Records.

Excepting therefrom those portions as conveyed to the City of Las Vegas by Grant Deed recorded May 12, 2004 in Book 20040512 as Instrument No. 0002470 of Official Records.

Assessor's Parcel Number: 139-35-410-005, 139-35-410-021

Legal Description Documents:
147858
20040512-2469
20040512-2470

# EXHIBIT B-1

## DEPICTION/SITE PLAN OF THE PREMISES

# EXHIBIT C

## FORM OF MEMORANDUM OF SUBLEASE

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

_____
_____
_____
Attention: _____

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## MEMORANDUM OF SUBLEASE

(Short Form - Memorandum)

This Sublease (Short Form Memorandum) dated as of August, 2014, is by and between: Chartered for Excellence Foundation, a Nevada Non-Profit Corporation, with its principal office located at 7495 W Azure Dr., Suite 236, Las Vegas, NV 89130 ("**Sublessor**"), and Quest Preparatory Academy, a Nevada State Sponsored Charter School with its principal office located at 7495 W Azure Dr., Suite 250, Las Vegas, NV 89130 ("**Sublessee**").

W I T N E S S E T H:

1. Sublessor hereby Subleases to Sublessee and Sublessee hereby Subleases from Sublessor that certain premises ("**Premises**") located in the City of Las Vegas, County of Clark, State of Nevada, and legally described on Exhibit A-1 attached hereto and incorporated herein by this reference, at the rental and upon all of the terms and conditions set forth in that certain Sublease dated August 2014 between the parties hereto ("Sublease").

2. The Premises is Subleased for a term of Twenty Five years ("**Term**") with two five (5) year options to extend the Term of the Sublease. The Sublease Commencement Date under the Sublease is August 1, 2014, and the Sublease Expiration Date of the Sublease is July 31, 2039, subject to earlier termination, as provided in the Sublease.

4. Should there be any inconsistency between the terms of this instrument and the Sublease, the terms of the Sublease shall prevail.

5. This Memorandum of Sublease is meant to provide notice only of the existence of the Sublease and shall confer no rights nor impute any obligations by Sublessor or Sublessee to any party other than as contained in the Sublease itself.

IN WITNESS WHEREOF, each of the parties hereto has executed this instrument as of the date first above written.

"Sublessor":

**Chartered for Excellence Foundation,**
**a Nevada Non-Profit Corporation**

By:_____
Kelli Miller, PhD

Its: Director

"Sublessee":

**Quest Preparatory Academy**
**a Nevada State Sponsored Charter School**

By:_____
David C Olive

Its: Governing Board President

"Landlord":

**CSP-Bridger Ave., LLC**
**a Nevada limited liability company**

By:_____

Its:_____

By:_____

Its:_____

# EXHIBIT D

## FORM OF SUBLESSEE'S ESTOPPEL CERTIFICATE

The undersigned as Sublessee under that certain Building and Improvement Sublease (the "**Sublease**") made and entered into as of August 1, 2014 by and between Chartered for Excellence Foundation as Sublessor, and the undersigned as Sublessee, for Premises located at 1300 East Bridger Avenue, Las Vegas, Nevada, certifies as follows:

1. Attached hereto as **Exhibit A** is a true and correct copy of the Sublease and all Exhibits, addendums, amendments and modifications thereto. The documents contained in **Exhibit A** represent the entire agreement between the parties as to the Premises.

2. The undersigned currently occupies the Premises described in the Sublease, the Term of the Sublease commenced on August 1, 2014, and the original Term of the Sublease expires on July 31, 2039, and the undersigned has no option to terminate or cancel the Sublease (other than to decline to exercise the automatic Option to Extend the Term of the Sublease) or to purchase all or any part of the Premises, the Building and/or the Project.

3. Minimum Annual Rent became payable on August 1, 2014.

4. The Sublease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in **Exhibit A**.

5. Sublessee has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows:

N/A

6. All monthly installments of Minimum Annual Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through July 31, 2039. The current monthly installment of Minimum Annual Rent is $27,066.67.

7. All conditions of the Sublease to be performed by Sublessor necessary to the enforceability of the Sublease have been satisfied and Sublessor is not in default thereunder. In addition, the undersigned has not delivered any notice to Sublessor regarding a default by Sublessor thereunder.

8. No rental has been paid more than thirty (30) days in advance and no security has been deposited with Sublessor except as provided in the Sublease in the current amount of $27,066.67 for rent and $27,066.67 for Security.

9. As of the date hereof, there are no existing defenses or offsets, or, to the undersigned's knowledge, claims or any basis for a claim, that the undersigned has against Sublessor.

10. If Sublessee is a corporation or partnership, each individual executing this Estoppel Certificate on behalf of Sublessee hereby represents and warrants that Sublessee is a duly formed and existing entity qualified to do business in Nevada and that Sublessee has full right and authority to

execute and deliver this Estoppel Certificate and that each person signing on behalf of Sublessee is authorized to do so.

11. There are no claims or legal actions pending against the undersigned under the laws of the United States or any state.

12. Other than in compliance with all applicable laws and incidental to the ordinary course of the use of the Premises, the undersigned has not used or stored any Hazardous Materials or Hazardous Substances in, on, or about the Premises.

13. All Sublessee improvement work to be performed by Sublessor under the Sublease has been completed in accordance with the Sublease and has been accepted by the undersigned and all reimbursements and allowances due to the undersigned under the Sublease in connection with any Sublessee improvement work have been paid in full.

The undersigned acknowledges that this Sublessee's Estoppel Certificate may be delivered to Sublessor or to a credit facilitator, credit enhancer, prospective mortgagee or prospective purchaser ("Third Party"), and acknowledges that said Third Party will be relying upon the statements contained herein in making the any business arrangement regarding the Sublessor and that receipt by the Third Party of this certificate is a condition of making such business arrangement.

Executed at the Business Office for Quest Preparatory Academy on the ninth day of July, 2014.

"Sublessee":

**Quest Preparatory Academy,**
a Nevada State Sponsored Charter School

By: _____
David C Olive
Its: Governing Board President

# EXHIBIT E

## SUBLESSEE'S INSURANCE SPECIFICATIONS AND LIMITS

1. Insurance Policies. Sublessee shall procure, pay for and keep in full force and affect the following types of insurance, at its sole cost and expense, commencing on the earlier of (i) the Sublease Commencement Date; or (ii) the date Sublessee is given earlier access to the Premises, and continuing during the Term of the Sublease. Any insurance policy proceeds shall be used as provided in the Sublease.

(a) Commercial general liability insurance covering bodily injury, personal injury, death and property damage liability with a combined single limit equal to the greater of: (i) Five Million Dollars ($5,000,000.00), which amount shall be subject to increases as Sublessor may reasonably require from time to time in accordance with prudent industry risk management practices, insuring against any and all liability of the insureds with respect to the Premises or arising out of the maintenance, use or occupancy of the Premises and all areas appurtenant thereto, or related to the exercise of any rights of Sublessee pursuant to this Sublease; or (ii) the aggregate amount of such insurance carried by Sublessee, for bodily injury, personal injury, death and property damage liability in any one occurrence. All such commercial general liability insurance shall specifically insure the performance by Sublessee of the indemnity agreement as to liability for injury to or death of persons and injury or damage to property in the Sublease, and shall include, without limitation, blanket contractual, cross liability and severability of interest clauses, products/completed operations, broad form property damage, independent contractors, owned, non-owned and hired vehicles and, if alcoholic beverages are served, sold, consumed or obtained in, on, or about the Premises, liquor liability.

(b) Workers' compensation coverage as required by law, together with employer's liability coverage, with a limit of not less than One Million Dollars ($1,000,000.00) and waiver by Sublessee's insurer of any right of subrogation against Sublessor by reason of any payment pursuant to such coverage.

(c) Business interruption insurance including the coverage for at least two (2) years' payments of Minimum Annual Rent and Additional Rent.

(d) Plate glass insurance covering all plate glass on the Premises at full replacement value.

(e) Sublessee shall carry in full force and effect fire insurance, with extended coverage, upon the Premises specifically insuring against loss or damage due to all perils, including, but not limited to the following: fire, windstorm, cyclone, tornado, hail, flood, subsidence, explosion, riot, riot attending a strike, civil commotion, malicious mischief, vandalism, aircraft, vehicle, smoke damage and sprinkler leakage. Such insurance coverage shall cover the entire Premises including, without limitation, all Buildings, Improvements, Equipment, Trade Fixtures, and leasehold improvements, and personal property from time to time in, on or about the Premises, in an amount not less than one hundred percent (100%) of their full replacement value from time to time (provided, however, that Sublessee shall be entirely responsible for any portion of the full replacement value of the Premises not covered by insurance) including coverage for code update, building ordinance, and replacement at different location. Such policy shall include a replacement cost endorsement, providing protection against any peril included within the classification Fire and Extended Coverage, and sprinkler damage, vandalism, malicious mischief and such other additional perils as are covered in an "all risk" standard insurance policy.

(f) During periods of war or national emergency, Sublessee shall maintain war risk insurance in an amount not less than the actual replacement cost of the Premises excluding, when and to the extent obtainable from the United States Government or an agency thereof at reasonable cost.

(g) Whenever Sublessee or any person claiming under Sublessee, or the contractors, agents, employees, invitees, or visitors of Sublessee shall be engaged in any Work in excess of $10,000, Sublessee shall obtain or cause its contractor to obtain completed value "all risks" builder's risk insurance, in amounts reasonably acceptable to Sublessor. In addition, Sublessee and its contractor(s) shall obtain worker's compensation insurance or other adequate insurance coverage covering all persons employed in connection with the Work, whether by Sublessee, its contractors or subcontractors.

(h) Such additional and/or other insurance with respect to the Premises and in such amounts as at the time is customarily carried by prudent owners or Sublessees with respect to improvements similar in character, location and use and occupancy to the Premises.

2 Policy Form. The minimum limits of policies of insurance required of Sublessee under this Sublease shall in no event limit the liability of Sublessee under this Sublease. Such insurance shall name Sublessor, and any other party the Sublessor so specifies, as an additional insured and loss payee. All policies of insurance to be maintained by Sublessee as provided for herein shall be issued by insurance companies with general policy holder's ratings of not less than A and financial ratings of not less than X, as rated in the most current available "Best's Key Rating Guide", and which are authorized to do business in the State in which the Premises are located. All such policies shall name and be for the mutual and joint benefit and protection of Sublessor, Sublessee and Landlord as additional insureds. Executed copies of the policies of insurance or certificates thereof shall be delivered to Sublessor prior to Sublessee, its agents or employees entering the Premises for any purpose, and thereafter, executed copies of renewal policies or certificates thereof shall be delivered to Sublessor within thirty (30) days prior to the expiration of the term of each policy. All policies of insurance delivered to Sublessor must contain a provision that the company writing the policy will give to Sublessor thirty (30) days' notice in writing in advance of any cancellation or lapse or the effective date of any reduction in the amounts of insurance. The insurance required to be maintained by Sublessee under this Sublease may be subject to commercially reasonable deductibles (not to exceed $25,000). All property damage and other casualty policies shall allow for waiver of subrogation in accordance with the requirements of the Sublease. All insurance policies maintained by Sublessee shall be endorsed to read that such policies are primary policies and any insurance carried by Sublessor shall be noncontributing with such policies. Each policy shall also provide that any losses otherwise payable thereunder shall be payable notwithstanding (i) any act or omission of Sublessor or Sublessee which might, absent such provision, result in a forfeiture of all or a part of such insurance payment, or (ii) the occupation or use of any of the Premises for purposes more hazardous than permitted by the provisions of such policy.

3. Blanket Policies. Notwithstanding anything to the contrary contained herein, Sublessee's obligations to carry insurance may be satisfied by coverage under a so-called blanket policy or policies of insurance; provided, however, Sublessor and Landlord(s) or beneficiary (ies) shall be named as additional insureds, the coverage afforded Sublessor will not be reduced or diminished, and the requirements set forth in this Sublease are otherwise satisfied by such blanket policy or policies.

4. Failure by Sublessee to Maintain Insurance. If Sublessee refuses or neglects to secure and maintain insurance policies complying with the provisions of Sublease, Sublessor may secure the appropriate insurance policies and Sublessee shall pay, upon demand, the cost of same plus an Administrative Fee to Sublessor as Additional Rent.

# EXHIBIT F

## STATE SPECIFIC PROVISIONS

# EXHIBIT 101

## INTEGRATION, INCORPORATION OF GROUND LEASE AND ASSUMPTION OF SUBLESSOR'S OBLIGATIONS AS LESSEE UNDER THE GROUND LEASE

1. To the extent that any covenants contained within this Agreement are not in conflict with those specific provisions which are contained in the Ground Lease which is attached hereto then the provisions contained within this Agreement shall set the rights, privileges and obligations of the Sublessor and Sublessee.

2. However, in the event of a conflict, the provisions of the underlying Ground Lease to the extent applicable to the Subleased Premises shall, except as herein specifically provided otherwise, fix the rights and obligations of the parties hereto with the same effect as if Sublessor and Sublessee were respectively the Lessor and Lessee named in the Ground Lease, and Sublessor and Sublessee shall each enjoy all those rights and privileges afforded respectively to said Lessor and Lessee in said Ground Lease.

3. Except as otherwise herein specifically provided, Sublessee hereby assumes the Sublessor's obligations as Lessee under the Ground Lease and covenants to perform the covenants and undertakings of Lessee under the Ground Lease to the extent that same are applicable to the Subleased Premises and Sublessor hereby covenants to perform or cause Lessor to perform, the covenants and undertakings of Lessor under the Ground Lease to the extent that same are applicable to the Subleased Premises.

4. The parties agree that the provisions of the following Articles or Sections of the Ground Lease are, for purposes of this Agreement, hereby included:

   N/A

5. Sublessee agrees herein and by his signature has indicated below that Sublessee expressly attorns to, accepts and assumes all the terms, conditions and obligations of the provisions of the Ground Lease which have been attached hereto and incorporated herein.

# EXHIBIT 102

## Sublessor's Surviving Interests in Ground Leased Facilities

1. The parties hereto affirm and acknowledge Sublessor's "property interest" in, for and to the Improvements built, made by, abandoned to or otherwise owned by Ground Lessor (hereafter "Ground Lessor's Property") on or about the land which is the subject of the Ground Lease.

2. The stated purposes of this article are to protect the Sublessor's investment in said "property interest" and to provide for the continued compensation to Sublessor which is to survive beyond the scheduled expiration of the Ground Lease, and thereby induce Sublessor to not demolish the facility nor remove the trade fixtures, equipment, Improvements, etc., and as a further result thereof to induce Ground Lessor to improve and/or maintain said real and personal property as a going concern facility so that Sublessee or subsequent Sublessees may reap the benefits of the location and facility in an operating or near operating condition for any extendable term of the Agreement.

3. Any "substituted agreement" for the occupancy for said Premises or any portion thereof drawn for the benefit of the Ground Lessor (or any replacement) and/or the Sublessee or any interested parties shall not defeat the continuing and surviving obligations of the Sublessee to the Sublessor under the continuing or assigned occupancy for the Premises, and this Exhibit shall attach as a rider and attorn to the Substituted Agreement, and furthermore shall survive any effort which attempts to defeat the purpose of this Exhibit.

4. Except as otherwise provided in the Sublease or other related agreement, the Sublessor specifically reserves and retains for Sublessor's sole and exclusive benefit all rights to negotiate with the Ground Lessor to purchase the property or to option, extend, renew, replace or substitute any contract for the occupancy rights (or ground lease) of the Premises. Should the Ground Lessor communicate with or notify Sublessee of any matter including, but not limited to, its interest in selling the real property or optioning, extending, renewing, replacing, substituting or modifying the Sublease, relocating, expanding or extending the tenancy, Sublessee agrees to immediately (within 24 hours of said communication) notify Sublessor in writing by certified or registered mail of all the information transmitted by the Ground Lessor to Sublessee and herewith assigns to Sublessor any rights or negotiating privileges which Ground Lessor has given or offered to Sublessee. Sublessee unconditionally warrants to Sublessor that it shall not circumvent Sublessor in any manner whatsoever in regard to the continued occupancy or opportunity for ownership of the Premises.

# BUILDING AND IMPROVEMENT SUBLEASE

## (ABSOLUTE NET – BOND TYPE)

## 1300 EAST BRIDGER AVENUE,

## LAS VEGAS, NEVADA 89101

**CHARTERED FOR EXCELLENCE FOUNDATION,**

a Nevada Non-Profit Corporation

as Sublessor,

and

**QUEST PREPARATORY ACADEMY,**

a Nevada State Sponsored Charter School

as Sublessee.

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EXHIBITS:


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| Exhibit B | Legal Description of the Land Portion of the Premises |
| Exhibit B-1 | Depiction/Site Plan of the Premises |
| Exhibit C | Form of Memorandum of Sublease |
| Exhibit D | Form of Sublessee's Estoppel Certificate |
| Exhibit E | Sublessee's Insurance Specifications and Limits |
| Exhibit F | State Specific Provisions |
| Exhibit 101 | Integration, Incorporation of Ground Lease and Assumption of Sublessor's Obligations as Lessee under the Ground Lease |
| Exhibit 102 | Sublessor's Surviving Interests in Ground Leased Facilities |

# Appendix E

Corrected

# BUILDING AND IMPROVEMENT LEASE

## (ABSOLUTE TRIPLE NET – BOND TYPE)

## 1300 EAST BRIDGER AVENUE,

## LAS VEGAS, NEVADA 89101

**QUEST PREPARATORY ACADEMY,**

A Nevada State Sponsored Charter School

as Subtenant,

and

**CHARTERED FOR EXCELLENCE FOUNDATION,**

a Nevada Non-Profit Corporation

as Tenant.

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EXHIBITS:

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| Exhibit F | State Specific Provisions |
| Exhibit G | Option to Purchase the Premises Subject to Ground Lease |

# BUILDING AND IMPROVEMENT SUBLEASE
## (Absolute Net – Bond Type)

This Building and Improvement Lease (the "**Lease**"), dated as of the date set forth in Section 1 of the Basic Lease Provisions below (the "**Basic Lease Provisions**"), is made by and between CHARTERED FOR EXCELLENCE FOUNDATION, a Nevada Non-Profit corporation pursuant to Chapter 82 of the Nevada Revised Statutes ("**Tenant**") and Quest Preparatory Academy, a Nevada state sponsored charter school ("Subtenant"). Except as otherwise set forth herein, capitalized terms used herein shall have the meaning set forth in the Basic Lease Provisions and, if not defined therein, then in **Exhibit A** attached hereto.

## BASIC LEASE PROVISIONS

1. Effective Date ..... August 6, 2014
2. Premises (Article 1)..... Approximately 14,000 square feet of useable building space commonly known as 1300 East Bridger Avenue, Las Vegas, Nevada 89101 contained on a ground leased parcel of approximately 2.89 acres and the Improvements located thereon.
3. Term of the Lease (Article 2)
   - 3.1 Length of Term..... Twenty Five (25) Years.
   - 3.2 Lease Commencement Date..... August 6, 2014
   - 3.3 Lease Expiration Date ..... The last day of the three hundredth (300th) month to occur after the Lease Commencement Date (as such date may be extended pursuant to the terms of this Lease).
   - 3.4 Options to Extend the Term of the Lease..... Two (2) automatic options to extend the Term of the Lease, each for a period of five (5) years, subject to the terms and conditions set forth in Section 2.2 herein.
4. Minimum Annual Rent (Article 3)..... The Minimum Annual Rent shall be as follows:

   Months 1-12: The Minimum Annual Rent shall be $501.337.25, which amount shall increase three percent (3%) per annum, effective the first day of the thirteenth (13th) month of the Term of the Lease and on a like day of every year of the Term of the Lease (as it may be extended as provided herein) thereafter. One-twelfth (1/12) of the Minimum Annual Rent shall be payable in advance on or before the Rent Payment Date for each and every calendar month during the Term of Lease pursuant to Section 3.1 herein.
5. Permitted Use (Article 5) ..... Public charter school and other uses directly related to a public charter school's educational purpose and

operations.

6. Security Deposit (Article 21) ..... $41,778.00 increasing by three percent (3%) per annum in concert with the annual increases in the Minimum Annual Rent effective the first day of the thirteenth (13th) month of the Term of the Lease and on a like day of every year of the Term of the Lease (as it may be extended as provided herein) thereafter.

7. Notice Address of Tenant and Subtenant (Section 26.18) ..... On and after the Lease Commencement Date, notices shall be sent to Tenant at Chartered For Excellence Foundation, Attn: Kelli Miller, Director, 818 Gass Avenue, Las Vegas, Nevada 89101, Telephone: (702) 755-2032

On and after the Lease Commencement Date, notices shall be sent to Subenant at the Premises.

8. Notice Address of Tenant (Section 26.18) ..... 2505 Anthem Village Drive, Suite E-390
Henderson, NV 89052
Attn: Lawrence Rieder
Telephone: (310) 993-1100
Email: lrieder@csps.us.com

With a copy to:
2922 Daimler Street
Santa Ana, CA 92705
Attn: Ira Glasky, Esq.
Telephone: (949) 224-1970
Facsimile: (949) 224-1963
Email: iglasky@farwestindustries.com

9. Brokers (Section 26.24)

For Tenant ..... None

For Subtenant..... None

10. Guarantor(s) (Section 26.32)..... None

11. Option to Purchase the Premises Subject to the Ground Lease (Exhibit G) ..... Subtenant acknowledges that Tenant shall have an Option to Purchase the Premises subject to the Ground Lease beginning on the Lease Commencement Date and ending on the last day of the thirty-sixth (36th) month following the Lease Commencement Date subject to the terms and conditions set forth in Exhibit G.

[CONTINUED ON FOLLOWING PAGE]

EXHIBITS ATTACHED AND INCORPORATED HEREIN

| | |
|---|---|
| Exhibit A | Definitions Applicable to the Lease |
| Exhibit B | Legal Description of the Land Portion of the Premises |
| Exhibit B-1 | Depiction/Site Plan of the Premises |
| Exhibit C | Form of Memorandum of Lease |
| Exhibit D | Form of Subtenant's Estoppel Certificate |
| Exhibit E | Subtenant's Insurance Specifications and Limits |
| Exhibit F | State Specific Provisions |
| Exhibit G | Option to Purchase the Premises Subject to Ground Lease |

IN WITNESS WHEREOF, Tenant and Subtenant have executed this Lease as of the Effective Date, consisting of the foregoing Basic Lease Provisions, the paragraphs which follow, and all exhibits attached hereto.

**"TENANT":**

**CHARTERED FOR EXCELLENCE FOUNDATION,**
**a Nevada Non-Profit corporation**

By: _____

Name: Kelli Miller, PhD

Title: Director

Dated: August 6, 2014

**"SUBTENANT":**

**QUEST PREPARATORY ACADEMY,**
**a Nevada State Sponsored Charter School**

By: _____

Name: David Olive

Title: President

Dated: August 6, 2014

**[PROVISION BELOW IS TO BE COMPLETED AFTER LEASE COMMENCEMENT]**

1. Subtenant hereby acknowledges and confirms that the Term of the Lease between the Landlord and Tenant commenced on August 6, 2014. Subtenant agrees herein and by execution of the Lease that Subtenant expressly attorns to, accepts and assumes all the terms, conditions and obligations of the provisions of the Ground Lease which was signed by the Landlord and Tenant on or about August 6, 2014.

DOOi
Subtenant Initials

8/6/14
Date

# ARTICLE 1

## PREMISES, BUILDING

**1.1** **Leasing**. Subtenant hereby leases to Subtenant and Subtenant hereby leases from Subtenant the Premises subject to the Ground Lease and other Permitted Encumbrances. The outline of the Premises is generally depicted on the Site Plan attached hereto as **Exhibit B-1**. The parties hereto agree that the lease of the Premises is upon and subject to the terms, covenants and conditions herein set forth, and Subtenant covenants as a material part of the consideration for this Lease to keep and perform each and all of such terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of such performance. The parties hereto hereby acknowledge that the purpose of **Exhibit B-1** is to show the approximate location of the Premises only, and such Exhibit is not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the precise area thereof, the specific location of the Building or any other improvements or of the accessways to the Premises. For purposes of this Lease, the square footage set forth in the Basic Lease Provisions or elsewhere in the Lease shall be deemed accurate and neither the Premises, Building, Improvements, nor Land shall be subject to remeasurement.

**1.1.1** **Title**. Subtenant acknowledges and agrees that Subtenant has examined the title to the Premises prior to the execution and delivery of this Lease and has found the condition of title to be satisfactory for the purposes contemplated by this Lease. Without limiting the generality of the foregoing, the Premises are demised and let subject to the terms of this Lease as well as all of the following:

**1.1.1.1** The Ground Lease and other Permitted Encumbrances.

**1.1.1.2** The Legal Requirements.

**1.1.1.3** The Insurance Requirements.

**1.1.1.4** The condition of the Premises as of the commencement of the Term, without representation or warranty by Tenant.

**1.1.2** **Condition**. TENANT HAS NOT MADE AND WILL NOT MAKE ANY INSPECTION OF ANY OF THE PREMISES, AND TENANT LEASES AND WILL LEASE AND SUBTENANT TAKES AND WILL TAKE THE PREMISES "AS IS", AND SUBTENANT ACKNOWLEDGES THAT TENANT (WHETHER ACTING AS TENANT HEREUNDER OR IN ANY OTHER CAPACITY) HAS NOT MADE AND WILL NOT MAKE, NOR SHALL TENANT BE DEEMED TO HAVE MADE, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE PREMISES, INCLUDING ANY WARRANTY OR REPRESENTATION AS TO ITS FITNESS FOR USE OR PURPOSE (INCLUDING, WITHOUT LIMITATION, SUBTENANT'S INTENDED USE), COMPLIANCE WITH "LEGAL REQUIREMENTS", DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE, AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, AS TO TENANT'S TITLE THERETO, OR AS TO VALUE, COMPLIANCE WITH SPECIFICATIONS, LOCATION, USE, CONDITION, MERCHANTABILITY, QUALITY, DESCRIPTION, DURABILITY OR OPERATION, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY SUBTENANT. Subtenant acknowledges that the

Premises are of its selection and to its specifications, and that the Premises have been inspected by Subtenant and are satisfactory to it. In the event of any defect or deficiency in any of the Premises of any nature, whether patent or latent, Tenant shall not have any responsibility or liability with respect thereto or for any incidental or consequential damages (including strict liability in tort). The provisions of this Paragraph have been negotiated, and the foregoing provisions are intended to be a complete exclusion and negation of any warranties by Tenant, express or implied, with respect to the Premises, arising pursuant to the uniform commercial code or any other law now or hereafter in effect or otherwise.

## ARTICLE 2

## INITIAL TERM OF THE LEASE; OPTIONS TO EXTEND THE TERM OF LEASE

**2.1 Initial Term of the Lease**. The terms and provisions of this Lease shall be effective as of the date of this Lease. The Term of the Lease shall commence on the Lease Commencement Date and shall terminate on the Lease Expiration Date (as it may be extended as provided in this Lease) unless this Lease is sooner terminated as hereinafter provided. At any time during the Term of the Lease, Tenant may request that Subtenant execute or initial the Basic Lease Provisions where indicated (or execute a different comparable document) to confirm the Lease Commencement Date, which Subtenant shall execute/initial and return to Tenant within five (5) days of receipt thereof.

**2.2 Automatic Extension of the Term of the Lease; Subtenant Right to Decline Extension**. Tenant hereby grants Subtenant, the Options to Extend the Term of the Lease set forth in the Basic Lease Provisions, if any. Each Option to Extend the Term of the Lease shall be deemed *automatically exercised* without notice or further action by any party unless Subtenant delivers the irrevocable Option Decline Notice to Tenant. If the irrevocable Option Decline Notice has not been timely delivered, the next available Option to Extend the Term of the Lease shall be deemed effective and exercised and the Lease Expiration Date shall be extended for the period of years set forth in the Basic Lease Provisions. If the irrevocable Option Decline Notice is timely delivered, the then-current Lease Expiration Date shall not be extended and all remaining Options to Extend the Term of the Lease shall be terminated and of no further force or effect and Subtenant shall have no ability to rescind the Option Decline Notice.

**2.3 Option Rent**. Upon commencement of each Option to Extend the Term of the Lease and during the extended Term of the Lease, the Minimum Annual Rent shall continue to be adjusted as provided in the Basic Lease Provisions.

## ARTICLE 3

## BASE RENT

**3.1 Generally**. Subtenant shall pay, without prior notice or demand, to Tenant at the place or address it designates in writing from time to time, by electronic funds transfer, one-twelfth ($1/12^{th}$) of the Minimum Annual Rent (the "Minimum Monthly Rent") in advance on or before the Rent Payment Date for each and every calendar month during the Term of the Lease, without any setoff or deduction whatsoever. The Minimum Monthly Rent for the first full month of the Term of the Lease shall be paid at the time of Subtenant's execution of this Lease. If any payment of Minimum Monthly Rent is for a period which is shorter than one month, the Minimum Monthly Rent for any such fractional month shall accrue on a daily basis such that $1/30^{th}$ of the Minimum Monthly Rent shall be payable for each and every day that the Lease is in effect and/or Subtenant is in possession of the Premises (whichever is greater). All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the basis of thirty (30) day months notwithstanding the

actual numbers of days in such month. Any payments of Minimum Monthly Rent required by this Section that are not made by electronic funds transfer will require a two percent (2%) processing fee. Payments of Additional Rent, as defined below, shall not be required to be made by electronic funds transfer. Without limitation on other obligations of Subtenant which survive the expiration of the Term of the Lease, the obligations of Subtenant to pay the Base Rent shall survive the expiration or termination of the Lease.

## ARTICLE 4

## ADDITIONAL RENT

**4.1** **Additional Rent**. Subtenant covenants to pay and discharge, when the same shall become due, as Additional Rent, all other amounts, liabilities and obligations which Subtenant assumes or agrees to pay or discharge pursuant to this Lease, together with every fine, penalty, interest and cost (all as Additional Rent) which may be added for non-payment or late payment thereof. In the event of any failure by Subtenant to pay or discharge any of the foregoing, the Tenant shall have all rights, powers and remedies provided herein, by law or otherwise in the case of non-payment of Rent. Without limitation on other obligations of Subtenant which survive the expiration of the Term of the Lease, the obligations of Subtenant to pay the Additional Rent shall survive the expiration or termination of the Lease.

**4.2** **Taxes and Other Charges as Additional Rent.** Without limiting Subtenant's obligations set forth elsewhere in this Lease, Subtenant shall pay at least thirty (30) days before due and before interest or penalties are due thereon: (i) all taxes, assessments, levies, fees, water and sewer rents and charges of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen, which are, at any time prior to or during the Term hereof, imposed or levied upon, assessed, or incurred by Tenant or Subtenant against (A) the Premises, (B) any Rent, Additional Rent or other sum payable hereunder, or (C) this Lease, the Ground Lease, or the leasehold estates thereby created, or which arise in respect of the operation, possession or use of the Premises; (ii) all gross receipts or similar taxes imposed or levied upon, assessed against or measured by any Rent, Additional Rent or other sum payable hereunder; (iii) all sales, use and similar taxes at any time levied, assessed or payable on account of the acquisition, leasing or use of the Premises; (iv) all charges and/or taxes for any easement or agreement maintained for the benefit of the Premises; (v) all charges for water, sewer and other utilities serving the Premises; (vi) all ground rents on or with respect to the Premises, whether payable under the Ground Lease or any other ground lease; (vii) all business or property licensing required of Tenant related to the Premises; and (viii) all other public charges and/or taxes whether of a like or different nature, even if unforeseen or extraordinary, imposed or assessed upon or with respect to the Premises. Any such taxes, assessments and other charges with respect to the Premises for the then current tax period shall be apportioned as of the Commencement Date, and the pro rata share thereof shall be paid to the Tenant or credited to Subtenant, as the case may be. Subtenant shall furnish to the Tenant, promptly after demand therefor, proof of payment of all items referred to above which are payable by Subtenant. If any such assessment may legally be paid in installments, Subtenant may pay such assessment in installments; in such event, Subtenant shall be liable only for installments which are attributable to any period falling within the Term hereof. Notwithstanding anything contained herein to the contrary, all rents under the Ground Lease are incorporated in the Minimum Annual Rent set forth in the Basic Lease Provisions.

**4.3** **Expenses for Permitted Exceptions as Additional Rent**. Subtenant agrees that Subtenant is obligated to and shall perform all obligations of the owner of the Premises and pay all expenses which the owner of the Premises may be required to pay in accordance with any of the Permitted Encumbrances (including, without limitation any Ground Lease or any other similar agreements) and that Subtenant shall comply with all of the terms and conditions of the Permitted Encumbrances during the term of this Lease.

**4.4** **Tenant's Right to Pay or Cure**. Should Subtenant fail to pay any Additional Rent when due, Tenant shall have the right (but not the obligation) to pay, such amount and/or to discharge or remove any tax, assessment, levy, fee, rent, charge, lien or encumbrance on behalf of Subtenant and charge Subtenant for all costs and expenses incurred or paid by Tenant plus the Administrative Fee. Subtenant further covenants and agrees to indemnify, defend and hold harmless Tenant and its Lenders against any claim, loss or damage suffered by Tenant or Lender by reason of Subtenant's failure to perform any obligations or pay any expenses as and when required under this Lease.

**4.5** **Net Lease**. It is understood and agreed by Subtenant that this Lease is an absolute triple net lease and the Rent, Additional Rent and all other sums payable hereunder to Tenant shall be absolutely net to the Tenant, without deduction or set off. Subtenant shall be responsible for (and pay directly) all taxes, payments in lieu of taxes, assessments, utility charges, liens, insurance, capital replacements, maintenance, repairs and all other costs associated with the Premises, whether existing now or hereinafter imposed or incurred. Subtenant shall pay all sums payable hereunder without notice or demand, and without set-off, abatement, suspension or deduction and Subtenant shall not interpose any counterclaim or defense of whatever nature or description in any proceeding by the Tenant for the collection of money due hereunder.

**4.6** **Not Financing**. Tenant and Subtenant agree that this Lease is a true lease and does not represent a financing arrangement. Each party shall reflect the transactions represented by this Lease in all applicable books, records and reports (including, without limitation, income tax filings) in a manner consistent with "true lease" treatment rather than "financing" treatment. As such, Subtenant acknowledges that it has no equitable interest in the Premises or other portions of any real or personal property associated with this Lease.

## ARTICLE 5

## USE OF PREMISES

**5.1** **Permitted Use**. Subtenant shall use the Premises solely for the Permitted Use set forth in Section 5 of the Basic Lease Provisions and Subtenant shall not use or permit the Premises to be used for any other purpose or purposes whatsoever without the prior written consent of Tenant, which may be withheld in Tenant's sole discretion.

**5.2** **Prohibited Uses**. In no event shall the Premises be used for any purpose which shall violate any of the provisions of any Permitted Encumbrance or any covenants, conditions, restrictions or agreements hereafter created by or consented to by Subtenant applicable to the Premises. Subtenant agrees that with respect to the Permitted Encumbrances and any covenants, restrictions or agreements hereafter created by or consented to by Subtenant, Subtenant shall observe, perform and comply with and carry out the provisions thereof required therein to be observed and performed by Tenant. Subtenant shall not commit or suffer to be committed any waste in or upon the Premises. Subtenant shall not permit any unlawful occupation, business or trade to be conducted on the Premises or any use to be made thereof contrary to applicable Legal Requirements or Insurance Requirements. Subtenant shall not use, occupy or permit any of the Premises to be used or occupied, nor do or permit anything to be done in or on any of the Premises, in a manner which would (i) make void or voidable any insurance which Subtenant is required hereunder to maintain then in force with respect to any of the Premises, (ii) affect the ability of Subtenant to obtain any insurance which Subtenant is required to furnish hereunder, or (iii) cause any injury or damage to the Building or any other Improvements, unless pursuant to Alterations permitted under this Lease.

**5.3** **Compliance with Law**. Subtenant shall, at its expense, comply with and shall cause the Premises and all Occupants of any portion thereof to comply with all Insurance Requirements and Legal Requirements, including those which require the making of any structural, unforeseen or extraordinary changes, whether or not any of the same which may hereafter be enacted involve a change of policy on the part of the Regulatory Agency enacting the same.

**5.4** **Permits and Approvals**. Subtenant shall, at its sole cost and expense, obtain and maintain all permits, certificates, approvals, licenses and all other necessary or appropriate actions of any Regulatory Agency required for the operation of Subtenant's business on the Premises, all in accordance with the Legal Requirements.

**5.5** **Compliance with Contractual Requirements**. Subtenant shall require its subtenant to comply with the requirements of all policies of insurance which are carried by the occupant of the Premises (or by the Tenant when permitted by the terms of this Lease) which at any time may be in force with respect to the Premises or any portion thereof, and with the provisions of all contracts, agreements and restrictions entered into by such Subtenant or by which such Subtenant is legally bound affecting the Premises or any portion thereof or the ownership, occupancy or use thereof.

**5.6** **Quiet Enjoyment**. If and so long as Subtenant shall pay all Rent and other charges herein provided, observes and performs all covenants, agreements and obligations contained herein and there is otherwise no Event of Default, Tenant covenants to do no act to disturb the peaceful and quiet occupation and enjoyment of the Premises by Subtenant; provided, that the Tenant and its agents may enter upon and examine the Premises as provided herein.

**5.7** **Surrender of Premises**. At the expiration or earlier termination of the Term of this Lease or any portion thereof, Subtenant shall peaceably leave, quit and surrender the Premises.

## ARTICLE 6

## NON-TERMINABILITY

**6.1** **No Termination Rights**. It is the intention of the parties hereto that the obligations of Subtenant under this Lease shall be separate and independent covenants and agreements, and that Minimum Annual Rent, Additional Rent and all other sums payable by Subtenant hereunder shall continue to be payable on an absolute net basis and in all events (or, in lieu thereof, Subtenant shall pay amounts equal thereto), and that all obligations of Subtenant under this Lease (including both monetary and performance obligations) shall continue unaffected, unless this Lease shall have been terminated pursuant to an express provision of this Lease. Accordingly, except as otherwise expressly provided in this Lease, this Lease shall not terminate and Subtenant shall not have any right to terminate this Lease, during the Term. Except as otherwise expressly provided in this Lease, Subtenant shall not be entitled to any setoff, counterclaim, recoupment, abatement, suspension, deferment, diminution, deduction, reduction or defense of or to Minimum Annual Rent, Additional Rent or any other sums payable under this Lease; and except as otherwise expressly provided in this Lease, the obligations of Subtenant under this Lease shall **not** be affected, modified, reduced or excused by any interference with Subtenant's use of any of the Premises for any reason. Without limitation, Subtenant's obligations under this Lease shall not be affected, modified, reduced or excused by any of the following:

**6.1.1** Any damage to or destruction of any of the Premises by any cause whatsoever,

**6.1.2** Any Condemnation:

**6.1.3** The prohibition, limitation or restriction of Subtenant's use of any of the Premises,

**6.1.4** Any eviction by paramount title or otherwise,

**6.1.5** Subtenant's acquisition of ownership of any of the Premises other than pursuant to an express provision of this Lease,

**6.1.6** Any default on the part of Tenant under this Lease or under any other agreement,

**6.1.7** Any latent or other defect in, or any theft or loss of any of the Premises,

**6.1.8** The breach of any warranty of any seller or manufacturer of any of the Equipment,

**6.1.9** Any violation of Section 5.6 by Tenant,

**6.1.10** Any other cause, whether similar or dissimilar to the foregoing, any present or future law or Legal Requirement to the contrary notwithstanding.

## ARTICLE 7

## MAINTENANCE, REPAIRS, REPLACEMENT AND OPERATION

**7.1** **Maintenance, Repairs, Replacement and Operation**. Subtenant agrees that it will, during the Term of this Lease, at its expense, keep, maintain, repair, replace, use and operate the Premises, including any altered, rebuilt, additional or substituted buildings, structures, equipment, and other improvements thereto, in good repair and appearance and in a first-class and Subtenantable condition, and will promptly make all structural and non-structural, foreseen and unforeseen, and ordinary and extraordinary changes, repairs and replacements of every kind and nature which may be required to be made upon or in connection with the Premises or any part thereof in order to keep and maintain the Premises, in good repair and appearance and in a Subtenantable condition. Without limiting the generality of the foregoing, Subtenant shall maintain, repair and/or replace all equipment or facilities, including, but not limited to, plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection and sprinkler system, fixtures, walls (interior and exterior), foundations, ceilings, roofs, roof drainage systems, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Subtenant's responsibilities for any and all capital replacement of all such equipment and/or facilities shall be determined according to generally accepted replacement schedules. Subtenant, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Section 7.2 below. Subtenant shall, at its own expense, keep the Premises in a clean, neat and sanitary condition and shall keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal), including, when necessary, the exterior repainting or refinishing of the Building. Subtenant shall do or cause others to do all shoring of the Premises (including the foundations and walls of the Building) and every other act necessary or appropriate for preservation and safety thereof, by reason of or in connection with any excavation or other building operation upon any of the Premises, whether or not Tenant shall, by reason of any Legal Requirements or Insurance Requirements, be required to take such action or be liable for failure to do so. Subtenant shall, in all events, make all repairs for which it is responsible hereunder promptly, and all repairs shall be in a good, proper and workmanlike manner. Subtenant hereby waives the right to make repairs at Tenant's expense under the provisions of any laws permitting repairs by a Subtenant at the expense of Tenant to the extent allowed by law, in that Tenant and Subtenant have by this Lease (including, without limitation, Article 11) made specific provision for such repairs and have defined their respective obligations relating thereto.

7.2 **Records; Service Contracts.** As part of its maintenance obligations hereunder, Subtenant shall, at Tenant's request, provide Tenant with copies of all maintenance schedules, service contracts, reports and notices prepared by, for or on behalf of Subtenant. Subtenant shall procure and maintain preventative maintenance contracts, with copies to Tenant, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) heating and air conditioning equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drains, and (vi) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof plus the Administrative Fee.

7.3 **Tenant has No Obligations**. Tenant shall not be required to maintain, repair or rebuild, or to make any alterations, replacements or renewals of any nature or description to the Premises (or any other property), or any part thereof, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to maintain the Premises, or any part thereof in any way. Subtenant hereby expressly waives the right to make repairs at the expense of the Tenant, which such right may be provided for in any law now or hereafter in effect.

7.4 **Equipment Replacements**. Subtenant shall, at its sole expense, from time to time replace with other operational equipment or parts any of the Equipment which shall have become worn out or unusable for the purpose for which it is intended, been taken by a Condemnation, or been lost, stolen, damaged or destroyed. Subtenant shall repair at its sole cost and expense all damage to the Premises caused by the removal of Equipment (including any replacements thereof) or other personal property of Subtenant or the installation of any replacement Equipment. All replacement Equipment shall immediately become the property of Tenant and shall be free and clear of all liens and rights of others and shall become a part of the Equipment as if originally demised herein.

7.5 **Compliance with Requirements**. In the event that any Improvements violate any Legal Requirements or Insurance Requirements and as a result of such violation enforcement action is threatened or commenced against Subtenant or with respect to the Premises, then Subtenant, at the request of Tenant, shall either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such violation, whether the same shall affect Tenant, Subtenant or both, or (ii) take such action as shall be necessary to remove such violation, including, if necessary, any Alteration. Any such repair or Alteration shall be made in conformity with the provisions of Section 8 below.

7.6 **Compliance with Environmental Laws**. Subtenant represents and warrants that, except as herein set forth, it will not use, store or dispose of any Hazardous Materials in or on the Premises. Without limiting the foregoing, Subtenant agrees that it will not install any underground or above ground storage tank at the Premises without specific, prior written approval from the Tenant, which approval may be withheld in Tenant's sole and absolute discretion. Similarly, Subtenant agrees that it will not store Hazardous Materials or other combustible or flammable materials on the Premises. Notwithstanding the preceding provisions, Tenant agrees that Subtenant may use, store and properly dispose of Permitted Chemicals. However, Subtenant may use, store and dispose of same, provided that in doing so; Subtenant fully complies with all Environmental Laws.

7.7 **Remediation of Hazardous Materials**. To the extent required by the Environmental Laws, any other Legal Requirements, the Insurance Requirements, and/or any other Regulatory Agency laws, rules or regulations governing Hazardous Materials, Subtenant shall remove any Hazardous Materials whether now or hereafter existing on the Premises and whether or not arising out of or in any

manner connected with Subtenant's occupancy of the Premises during the Term. In addition to, and without limiting other indemnity provisions set forth in this Lease, Subtenant shall and hereby does agree to defend, indemnify and hold Tenant and its Lenders, and their respective officers, directors, shareholders, partners, members and employees, harmless from and against any and all causes of actions, suits, demands or judgments of any nature whatsoever, losses, damages, penalties, expenses, fees, claims, costs (including response and remedial costs), and liabilities, including, but not limited to, reasonable in-house and outside attorneys' fees and costs of attending to the matter and/or litigation, arising out of or in any manner connected with (i) the violation of any applicable federal, state or local Environmental Law with respect to the Premises; (ii) the "release" or "threatened release" of or failure to remove, as required by this Article, Hazardous Materials from the Premises or any portion or portions thereof, including any past or current release and any release or threatened release during the initial term or any extension of Term, whether or not arising out of or in any manner connected with Subtenant's occupancy of the Premises.

**7.8** **Failure to Comply**. If Subtenant shall be in default under any of the provisions of this Article, Tenant may after thirty (30) business days written notice given to Subtenant and failure of Subtenant to cure during said period, but without notice in the event of an emergency, do whatever is necessary to cure such default as may be appropriate under the circumstances for the account of and at the expense of Subtenant. In the event of an emergency Tenant shall notify Subtenant of the situation by phone or other available communication. All reasonable sums so paid by Tenant and all reasonable costs and expenses (including, without limitation, in-house and outside attorneys' fees and expenses) so incurred, together with interest thereon at the Default Rate from the date of payment or incurring the expense, shall constitute Additional Rent payable by Subtenant under this Lease and shall be paid by Subtenant to Tenant within fifteen (15) days of Tenant's demand.

## ARTICLE 8

## ADDITIONS AND ALTERATIONS

**8.1** **Tenant's Consent to Alterations**. Subtenant shall not make, permit, or cause to be made Alterations to the Premises without first obtaining the written approval of Tenant, which approval shall not be unreasonably withheld, delayed, or conditioned. Tenant may impose, as a condition of its consent to any and all Alterations, such requirements as Tenant in its sole but reasonable discretion may deem desirable. Notwithstanding the foregoing, Subtenant shall have the right, at its discretion and sole cost, without obtaining the prior written consent of Tenant, but subject to all Regulatory Agency requirements, and subject to first notifying Tenant in writing of such proposed Alterations, to make any interior nonstructural Alterations to the Building it may desire so long as the cost thereof does not exceed $50,000.00. Any request for consent to (or notice of) Alterations shall be accompanied by two (2) complete sets of plans and specifications for the proposed Alterations, suitable for submission to Tenant's architect for evaluation. Subtenant shall pay all reasonable costs incurred by Tenant in the evaluation of the plans and specifications, including, but not limited to, architects' and engineers' fees and an Administrative Fee. In addition, as a condition to its consent, Tenant may require Subtenant to furnish assurances satisfactory to Tenant that all contractors who will perform such work have in force workers' compensation and such other employee and comprehensive general liability insurance as Tenant deems necessary to supplement the insurance coverage provided for in this Lease. Tenant may impose, as a condition of its consent to any and all Alterations, such requirements as Tenant in its sole discretion may deem desirable, including, but not limited to, the requirement that Subtenant utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen selected by Subtenant from a list provided and consented to by Tenant. In addition, Tenant may impose the requirement that upon Tenant's request, Subtenant shall, at Subtenant's expense, remove such Alterations upon the expiration or any early termination of the Term of the Lease. In addition, Tenant may require that Subtenant provide

Tenant, at Subtenant's sole cost and expense, a performance and/or payment bond or a lien and completion bond or some alternate form of security satisfactory to Tenant (and naming Tenant as a co-obligee) in an amount equal to one and one-half (1½) times the estimated cost of the Alterations, to ensure Tenant that said Alterations shall be completed lien-free and satisfactorily to Tenant. Subtenant shall give Tenant notice at least twenty (20) days prior to the commencement of any such work on the Premises (or such additional time as may be necessary under applicable laws) to afford Tenant the opportunity of posting and recording appropriate notices of non-responsibility. Tenant shall have the right at all reasonable times to post and keep posted on the Premises any notices which it deems necessary for protection from such liens. Any consent or supervision by Tenant of such Alterations shall in no event constitute Tenant's approval of the work so performed, nor shall Tenant be responsible for or have any liability with respect to such supervision or work. Copies of required building permits or authorizations shall be obtained by Subtenant at its expense and Subtenant shall furnish copies of same to Tenant.

**8.2 Manner of Construction.**

In the event that Tenant gives its prior written consent to any Alterations, or if such consent is not required, Subtenant agrees that in connection with any Alteration: (i) the Alterations shall be constructed using materials of equal or greater quality to the existing Improvements, and the fair market value of the Premises shall not be lessened in any material respect after the completion of any such Alteration, or its structural integrity impaired; (ii) the Alteration and any Alteration theretofore made or thereafter to be made shall not in the aggregate (over the Term of the Lease) reduce the gross floor area of the Improvements by more than five percent (5%); (iii) all such Alterations shall be performed in a good and workmanlike manner in accordance with the plans and specifications consented to by Tenant, and shall be expeditiously completed in compliance with all Legal Requirements; (iv) all work done in connection with any such Alteration shall comply with all Insurance Requirements; (v) Subtenant shall promptly pay all costs and expenses of any such Alteration, and shall discharge all liens filed against any of the Premises arising out of the same; (vi) Subtenant shall procure and pay for all permits and licenses required in connection with any such Alteration; and (vii) upon completion thereof, all such Alterations shall be the property of Tenant and shall be subject to this Lease. In addition, upon completion of any Alterations, Subtenant agrees to cause a Notice of Completion (or similar document evidencing completion of the work) to be recorded, and Subtenant shall deliver to Tenant a reproducible copy of the "as built" set of plans and specifications (modified to reflect change orders) of the Alterations as well as all permits, approvals and other documents issued by any Regulatory Agency in connection with the Alterations.

**8.3 Construction Insurance.** In addition to the requirements of Article 10 of this Lease, in the event that Subtenant makes any Alterations, prior to the commencement of such Alterations, Subtenant shall provide Tenant with evidence that Subtenant carries **"Builder's All Risk"** insurance in an amount approved by Tenant covering the construction of such Alterations, and such other insurance as Tenant may require, it being understood and agreed that all of such Alterations shall be insured by Subtenant pursuant to Article 10 of this Lease immediately upon completion thereof.

## ARTICLE 9

## COVENANT AGAINST LIENS; RECORDING; TITLE

**9.1 Liens.** Subtenant shall not, directly or indirectly, create or permit to be created or to remain, and shall promptly discharge, any lien on the Premises, Tenant's reversionary estate therein, on the Minimum Annual Rent, Additional Rent or on any other sums payable by Subtenant under this Lease, other than Permitted Encumbrances, and encumbrances or other charges created by or resulting from any act or omission by Tenant or those claiming by, through or under Tenant (but not Subtenant). Notice is

hereby given that Tenant shall not be liable for any labor, services or materials furnished or to be furnished to Subtenant, or to anyone holding any of the Premises through or under Subtenant, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of Tenant in and to any of the Premises. Subtenant shall give Tenant notice at least twenty (20) days prior to the commencement of any such work on the Premises (or such additional time as may be necessary under applicable laws) to afford Tenant the opportunity of posting and recording appropriate notices of non-responsibility. Tenant shall have the right at all reasonable times to post and keep posted on the Premises any notices which it deems necessary for protection from such liens.

**9.2** **Memorandum**. Upon Subtenant's request, Tenant and Subtenant shall execute and acknowledge a short form memorandum of this Lease for recording purposes in the form attached hereto as **Exhibit C**. Except as set forth above, Subtenant shall not record this Lease or any short form memorandum of this Lease. Subtenant shall be responsible for all expenses associated with any such recording of a short form memorandum of this Lease. Upon the expiration or earlier termination of this Lease for any reason, Subtenant, within three (3) days following the date of request by Tenant, shall deliver to Tenant a quitclaim deed conveying to Tenant any and all interest Subtenant may have under this Lease. In the event of any discrepancy between the provisions of said recorded Memorandum of this Lease and the provisions of this Lease, the provisions of this Lease shall prevail. The terms of this Section shall survive the expiration or earlier termination of this Lease.

**9.3** **Creation of Leasehold Only**. Nothing in this Lease and no action or inaction by Tenant shall be deemed or construed to mean that Tenant has granted to Subtenant any right, power or permission to do any act or to make any agreement which may create, give rise to, or be the foundation for, any right, title, interest or lien in or upon the estate of Tenant in any of the Premises, including but not limited to any claim of equitable interest in the Premises, Lease, and/or Ground Lease.

## ARTICLE 10

## INDEMNITY AND INSURANCE

**10.1** **Indemnification and Waiver**. The provisions of this Article shall survive the expiration or sooner termination of this Lease including, without limitation, any period where Subtenant remains in possession of (or responsible for) the Premises beyond such expiration or sooner termination.

**10.1.1** Subtenant hereby unconditionally assumes all risk of damage to property or injury to persons in, upon or about the Premises for any reason and from any cause whatsoever and agrees the Tenant Parties shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by or to Subtenant or by or to other persons claiming through Subtenant. Subtenant shall indemnify, defend, protect, and hold harmless the Tenant from any and all Claims and Losses incurred in connection with, in any way relating to, or arising from: (i) the Premises or this Lease; (ii) the use, non-use, occupancy, condition, design, construction, maintenance, repair or rebuilding of the Premises; and (iii) any injury to or death of any person or persons or any loss of or damage to any property, real or personal, in any manner arising from or connected with the Premises or this Lease. Subtenant's obligations under this paragraph shall apply (and not be reduced) whether or not Tenant has or should have knowledge or notice of the defect or conditions, if any, causing or contributing to the Claims and Losses and whether or not the Claims and Losses were caused by any Tenant negligence. Subtenant shall indemnify, defend, protect, and hold harmless the Tenant for Claims and Losses in any way relating to or arising from: (a) any causes in, on or about the Premises; (b) any activity, work, or thing done, or permitted or suffered by Subtenant in, on, or about the Premises; (c) any acts, omission, or negligence of Subtenant or of any person claiming under Subtenant, or the contractors, agents, employees, invitees, or visitors of Subtenant or any

such person; (d) any breach, violation, or non-performance by Subtenant or any person claiming under Subtenant or the employees, agents, contractors, invitees, or visitors of Subtenant or any such person of any term, covenant, or provision of this Lease or any law, ordinance, or governmental requirement of any kind; (e) any injury or damage to the person, property, or business of Subtenant, its employees, agents, contractors, invitees, visitors, or any other person entering upon the Premises under the express or implied invitation of Subtenant; or (f) the placement of any personal property or other items within the Premises. The foregoing indemnity is intended to apply to all Claims and Losses incurred directly by the Tenant Parties, or their property, as well as by any third party or their property. Should Tenant be named as a defendant in any suit brought against Subtenant in connection with or arising out of Subtenant's occupancy of the Premises, Subtenant shall pay to Tenant its costs and expenses incurred in such suit, including without limitation, its actual professional fees such as appraisers', accountants', experts', and in-house and outside attorneys' fees including, without limitation, Cumis counsel. Further, Subtenant's agreement to indemnify Tenant pursuant to this Section is not intended and shall not relieve any insurance carrier of its obligations under policies required to be carried by Subtenant pursuant to the provisions of this Lease, to the extent such policies cover the matters subject to Subtenant's indemnification obligations; nor shall they supersede any inconsistent agreement of the parties set forth in any other provision of this Lease.

**10.1.2** Subtenant's obligation to indemnify shall include the greater of (a) actual cost, or (b) the commercially reasonable professional rates, for in-house and outside attorneys' fees and investigation costs and all other reasonable costs, expenses and liabilities incurred by Tenant or its counsel from the first notice that any claim or demand is to be made or may be made. Payment shall not be a condition precedent to the enforcement of any indemnity provision in this Lease. If any action or proceeding shall be brought against any Tenant Parties for which Subtenant is to provide indemnification under this Lease, then the Tenant shall be entitled to pursue either of the following options, both at Subtenant's sole cost and expense:

**10.1.2.1** The Tenant shall be entitled to, in their sole and complete discretion, to select separate counsel to defend the Tenant Parties at commercially reasonable rates and to change counsel at any time; or

**10.1.2.2** Subtenant upon notice from any Tenant shall defend the same; provided, however, that if at any time (including, without limitation, after Subtenant has retained counsel) any Tenant Parties disapprove the counsel chosen by Subtenant to defend the Tenant or asserts a conflict of interest, any Tenant may, but shall not be obligated to, disapprove such counsel by written notice to Subtenant stating the reasons for such disapproval. In the event of any such disapproval, the Tenant shall be entitled to: (i) select and retain counsel as provided in Section 10.1.2.1 above; or (ii) cause Subtenant to discharge the disapproved counsel and choose replacement counsel reasonably acceptable to the Tenant.

**10.1.3** Subtenant shall not be required to indemnify and hold Tenant harmless from any claims and losses determined by a court of competent jurisdiction to have been caused solely by the willful misconduct of the Tenant Parties (except for damage to Subtenant's personal property, fixtures, furniture and equipment in the Premises, to the extent Subtenant or its agent is required to obtain insurance coverage therefor pursuant to the terms of this Lease).

**10.2 Subtenant's Compliance With Insurance Requirements.** Subtenant shall, at Subtenant's expense, comply with all insurance company requirements pertaining to the use of the Premises, whether such insurance is obtained by Subtenant or its agents. If Subtenant's conduct or use of the Premises causes any increase in the premium charged to Tenant for its insurance (if any) then Subtenant shall reimburse Tenant for any such increase. Subtenant, at Subtenant's expense, shall comply

with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

**10.3** **Subtenant's Insurance Specifications and Limits**. Subtenant shall maintain or have cause to have its agents maintain the coverages set forth in **Exhibit E** attached hereto, as may be amended from time to time, during the entire Term of the Lease. In addition, Subtenant shall carry and maintain during the entire Term of the Lease, at Subtenant's sole cost and expense, increased amounts of the insurance required to be carried by Subtenant pursuant to this Article and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Subtenant's operations therein, as may be reasonably requested by Tenant, Lender, credit facilitator, or credit enhancer.

**10.4** **Subrogation**. Tenant and Subtenant intend that all property loss and injury risks shall be borne by Subtenant, its subtenant, and its insurance carriers. Accordingly, Subtenant hereby agrees to look solely to, and seek recovery only from, Subtenant's insurance carriers (and not Tenant or Tenant's insurance) in the event of an injury or property loss. Subtenant hereby waives all rights and claims against Tenant and its insurance companies and Subtenant further waives all rights of subrogation of Subtenant's insurers, provided such waiver of subrogation shall not affect the right of Subtenant to recover thereunder, unless such waiver prevents Subtenant from obtaining insurance. Subtenant agrees that its insurance policies are now, or shall be, endorsed to reflect the foregoing waiver of subrogation. Upon request, Subtenant will cause all other occupants of the Premises claiming by, under, or through Subtenant to execute and deliver to Tenant a waiver of claims similar to the waiver in this Section 10.4 and to obtain such waiver of subrogation rights endorsements.

**10.5** **Additional Insurance**. Tenant may, at its sole reasonable discretion, maintain for its sole benefit, separate umbrella coverage naming the Premises as a covered location and the premium for such coverage shall be deemed Additional Rent.

## ARTICLE 11

## CONDEMNATION; DAMAGE AND DESTRUCTION; RESTORATION

**11.1** **Notice of Condemnation**. Subtenant, promptly upon obtaining knowledge of the institution of any proceeding for Condemnation, shall notify Tenant thereof and Tenant shall be entitled to participate in any Condemnation proceeding. Tenant, promptly after obtaining knowledge of the institution of any proceeding for Condemnation, shall notify Subtenant thereof and Subtenant shall have the right to participate in such proceedings. All Improvements are deemed to inure to Tenant and shall be deemed Tenant's property for purposes of condemnation. Subject to the provisions of this Article, Subtenant hereby irrevocably assigns to Lender (if any) or to Tenant, in that order, any award or payment in respect of any Condemnation of Tenant's interest in the Premises including Improvements and Trade Fixtures, except that (except as hereinafter provided) nothing in this Lease shall be deemed to assign to Tenant or Lender any award or payment on account of the Improvements or Trade Fixtures residually owned by Subtenant which are not inuring or being abandoned to Tenant at any time during, at expiration or earlier termination of the Term of the Lease, moving expenses and out-of-pocket expenses incidental to the move, if available, to the extent Subtenant shall have a right to make a separate claim therefor against the condemnor, it being agreed, however, that in no event shall Subtenant be entitled to any payment that reduces the award to which Tenant is or would be entitled for the condemnation of Tenant's interest in the Premises.

**11.2** **Restoration after Condemnation**. In the event of a Condemnation of any part of the Premises, subject to the requirements of this Article, the Net Award shall be retained by Tenant or, if applicable, Lender. Promptly after such Condemnation, Subtenant shall commence and diligently

continue the Restoration of the Premises in accordance with the provisions of this Lease, including but not limited to the provisions of Article 7. In such event, the following provisions shall apply:

**11.2.1** Upon the payment to Tenant of the Net Award of a Taking, Tenant and Lender shall make the Restoration Award available to Subtenant for Restoration, in accordance with the provisions of Section 11.7 below, and promptly after completion of the Restoration, the balance of the Net Award shall be paid to Tenant. Subtenant shall complete such Restoration (including all Improvements and Equipment), whether or not the Net Award is sufficient for such purpose.

**11.2.2** In the event of a Requisition of the Premises, Tenant shall apply the Net Award of such Requisition, to the extent available, to the installments of Minimum Annual Rent, Additional Rent or other sums payable by Subtenant hereunder thereafter payable and Subtenant shall pay any balance remaining thereafter. Upon the expiration of the Term of the Lease, any portion of such Net Award which shall not have been previously credited to Subtenant on account of the Minimum Annual Rent and Additional Rent shall be retained by Tenant.

**11.2.3** In the event of a complete Taking of the entire Premises, Subtenant shall not be obligated to effect a Restoration and instead Tenant shall apply the Net Award to the installments of Minimum Annual Rent, Additional Rent or other sums payable by Subtenant hereunder (the "Remaining Rent"). In the event the Net Award is insufficient to pay the Remaining Rent, Subtenant shall pay any unpaid Remaining Rent and after such payment either Tenant or Subtenant shall be entitled to terminate the Lease effective as of the date of the Taking.

**11.3** **Consents**. Except with respect to an award or payment to which Subtenant alone is entitled pursuant to the provisions of this Article, no agreement with any condemnor in settlement of or under threat of any Condemnation shall be made by either Tenant or Subtenant without the written consent of the other, and of Lender, if the Premises are then subject to an obligation to a Lender, including but not limited to, a mortgage or credit facility, which consent shall not be unreasonably withheld or delayed.

**11.4** **Notice of Casualty**. In the event of any Casualty exceeding $10,000 (regardless of the cause thereof), Subtenant shall give Tenant immediate notice thereof. Subtenant shall adjust, collect and compromise any and all claims, with the consent of Tenant and its Lender, not to be unreasonably withheld or delayed, and Tenant and Lender shall have the right to join with Subtenant therein. If the estimated cost of Restoration or repair shall be Fifty Thousand Dollars ($50,000.00) or less, all proceeds of any insurance required under Article 10 shall be payable to Subtenant, provided that there is no Event of Default under this Lease (in which case the proceeds shall be paid to Tenant). In all other events, such proceeds shall be paid to Tenant, or at Tenant or Lender's election, to a Trustee designated by Tenant. The cost of the Trustee, if any, shall be paid by Subtenant and shall not be deducted or paid from the Restoration Fund. Each insurer is hereby authorized and directed upon Tenant's request to make payment under said policies directly to such Trustee instead of to Tenant and Subtenant jointly; and Subtenant and Tenant each hereby appoints such Trustee as its attorney-in-fact to endorse any draft therefor for the purposes set forth in this Lease.

**11.5** **Restoration after Casualty**. In the event of a Casualty loss exceeding $50,000, Net Proceeds shall be retained by Tenant or the Trustee (as applicable). Promptly after such casualty, Subtenant, at Tenant's election, shall commence and diligently continue to perform the Restoration to the Premises in accordance with the provisions of this Lease, including but not limited to the provisions of Article 7. Upon receipt of such Net Proceeds, the Tenant or Trustee (as the case may be) shall, to the extent available, make the Net Proceeds available to Subtenant for Restoration, in accordance with the provisions of Section 11.7 below. Subtenant shall complete such Restoration (including all

Improvements and Equipment), whether or not the Net Proceeds are sufficient for such purpose. In the event any Casualty occurs at such time as Subtenant shall not have maintained insurance in accordance with this Lease, Subtenant shall pay the Subtenant Insurance Payment to Tenant or the Trustee (as applicable).

**11.6** **No Termination or Abatement of Rent**. In the event of any Condemnation or Casualty, the Term shall nevertheless continue and there shall be no abatement or reduction of Minimum Annual Rent, Additional Rent or any other sums payable by Subtenant under the Lease. Without limiting the generality of the foregoing, during the period of Restoration, all Minimum Annual Rent, Additional Rent and other sums payable hereunder shall continue unabated and unreduced.

**11.7** **Restoration**. The Restoration Fund shall be held and disbursed by Tenant or the Trustee (as applicable) in accordance with the following conditions:

**11.7.1** Prior to commencement of the Restoration the architects, general contractor(s), and plans and specifications for the Restoration shall be consented to by Tenant, which consent shall not be unreasonably withheld or delayed; and which consent shall be granted to the extent that the plans and specifications depict a Restoration which is substantially similar to the Improvements and Equipment which existed prior to the occurrence of the Casualty or Taking, whichever is applicable.

**11.7.2** At the time of any proposed disbursement, no Event of Default (as defined below) shall be allowed to exist and no mechanics' or materialmen's liens shall have been filed and remain undischarged or unbonded.

**11.7.3** Disbursements shall be made from time to time in an amount not exceeding the hard and soft cost of the work and costs incurred since the last disbursement upon receipt of (l) satisfactory evidence, including architects' certificates of the stage of completion, of the estimated cost of completion and of performance of the work to date in a good and workmanlike manner in accordance with the contracts, plans and specifications, (2) partial releases of liens, and (3) other reasonable evidence of cost and payment so that Tenant can verify that the amounts disbursed from time to time are represented by work that is completed in place or delivered to the site and free and clear of mechanics' lien claims.

**11.7.4** Each request for disbursement shall be accompanied by a certificate of Subtenant describing the work, materials or other costs or expenses, for which payment is requested, stating the cost incurred in connection therewith and stating that Subtenant has not previously received payment for such work or expense and the certificate to be delivered by Subtenant upon completion of the work shall, in addition, state that the work has been substantially completed and complies with the applicable requirements of this Lease.

**11.7.5** Upon Tenant's request, Tenant or the Trustee (as applicable) shall retain ten percent (10%) of the Restoration Fund until the Restoration is complete.

**11.7.6** The Restoration Fund shall be kept in a separate interest-bearing federally insured account by Tenant or the Trustee (as applicable).

**11.7.7** At all times the undisbursed balance of the Restoration Fund held by Tenant or the Trustee (as applicable) plus any funds contributed thereto by Subtenant shall be not less than one hundred ten percent (110%) of the unpaid cost of completing the Restoration, free and clear of all liens. Further, the Tenant or the Trustee (as applicable) shall retain ten percent (10%) of the Restoration Fund until the Restoration is complete, at which time the remaining funds shall be returned to Subtenant.

**11.7.8** In addition, prior to commencement of Restoration and at any time during Restoration, if the estimated cost of Restoration, as reasonably determined by Tenant, exceeds the amount of the Net Proceeds, the Restoration Award and Subtenant Insurance Payment available for such Restoration, the amount of such excess shall be paid by Subtenant to Tenant or the Trustee (as applicable) to be added to the Restoration Fund or Subtenant shall fund at its own expense the costs of such Restoration until the remaining Restoration Fund is sufficient for the completion of the Restoration. Any sum in the Restoration Fund which remains in the Restoration Fund upon the completion of Restoration shall be paid to Subtenant. For purposes of determining the source of funds with respect to the disposition of funds remaining after the completion of Restoration, the Net Proceeds or the Restoration Award shall be deemed to be disbursed prior to any amount added by Subtenant.

**11.8 Waiver of Statutory Provisions.**

**11.8.1** The provisions of this Lease, including this Article, constitute an express agreement between Tenant and Subtenant with respect to any and all damage to, or destruction of, all or any part of the Premises. The parties hereby expressly waive any statute or regulation of the State in which the Premises are located that provides for any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other similar statute or regulation, now or hereafter in effect, and agree that any such statute or regulation shall have no application to this Lease or any damage or destruction to all or any part of the Premises.

**11.8.2** The parties waive such rights of Lease termination (if any) as may be granted them in the event of a Condemnation by the laws of the State of Nevada, it being their agreement that the parties have no such rights of termination as a result of any Condemnation or Casualty.

## ARTICLE 12

## NONWAIVER

No provision of this Lease shall be deemed waived by either party hereto unless expressly waived in a writing signed thereby. The waiver by either party hereto of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Tenant shall not be deemed to be a waiver of any preceding breach by Subtenant of any term, covenant or condition of this Lease, other than the failure of Subtenant to pay the particular Rent so accepted, regardless of Tenant's knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance of a lesser amount than the Rent herein stipulated shall be deemed a waiver of Tenant's right to receive the full amount due, nor shall any endorsement or statement on any check or other payment form or any letter accompanying such check or other payment form be deemed an accord and satisfaction, and Tenant may accept such check or payment without prejudice to Tenant's right to recover the full amount due. No receipt of monies by Tenant from Subtenant after the termination of this Lease shall in any way alter the length of the Term of the Lease or of Subtenant's right of possession hereunder, or after the giving of any notice shall reinstate, continue or extend the Term of the Lease or affect any notice given Subtenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit, or after final judgment for possession of the Premises, Tenant may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

## ARTICLE 13

## PERMITTED CONTESTS

**13.1** After prior written notice to Tenant, Subtenant shall not be required to (i) pay any Imposition, (ii) comply with any Legal Requirement, (iii) discharge or remove any mechanic's lien arising from Subtenant's construction activities so long as Subtenant shall contest, in good faith and at its expense, the existence, the amount or the validity thereof, the amount of the damages caused thereby, or the extent of its or Tenant's liability therefor, by appropriate proceedings which shall operate during the pendency thereof to prevent (a) the collection of, or other realization upon, the Imposition or lien so contested, (b) the sale, forfeiture or loss of any of the Premises, any Minimum Annual Rent or any Additional Rent to satisfy the same or to pay any damages caused by the violation of any such Legal Requirement or by any such violation, (c) any interference with the use or occupancy of any of the Premises, (d) any interference with the payment of any Minimum Annual Rent or any Additional Rent, (e) the cancellation of any fire or other insurance policy.

**13.2** In no event shall Subtenant pursue any contest with respect to any Imposition, Legal Requirement, lien, or violation, referred to above in such manner that exposes Tenant or Lender to (i) criminal liability, penalty or sanction, (ii) any civil liability, penalty or sanction for which Subtenant has not made provisions reasonably acceptable to Tenant and Lender or (iii) defeasance of its interest in the Premises.

**13.3** In connection with any contest, Tenant may require that Subtenant provide Tenant, at Subtenant's sole cost and expense, a performance and/or payment bond or a lien and completion bond in an amount equal to one and one-half (1½) times the amount in dispute.

**13.4** Subtenant agrees that each such contest shall be promptly and diligently prosecuted to a final conclusion, except that Subtenant shall have the right to attempt to settle or compromise such contest through negotiations. Subtenant shall pay and save Lender and Tenant harmless against any and all Claims and Losses in connection with any such contest and shall, promptly after the final determination of such contest, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, together with all penalties, fines, interest, costs and expenses thereof or in connection therewith, and perform all acts the performance of which shall be ordered or decreed as a result thereof.

## ARTICLE 14

## ASSIGNMENT AND SUBLETTING

**14.1** **Transfers**. Subtenant shall not, without the prior written consent of Tenant, Transfer this Lease or any interest hereunder or permit the Transfer this Lease or any interest hereunder. If Subtenant desires Tenant's consent to any Transfer, Subtenant shall deliver to Tenant a Transfer Notice (including all documents required to be delivered therewith). Any Transfer made without Tenant's prior written consent shall, at Tenant's option, be null, void and of no effect, and shall, at Tenant's option, constitute an Event of Default by Subtenant under this Lease. Whether or not Tenant consents to any proposed Transfer, Subtenant shall pay Tenant's Transfer Expenses within thirty (30) days after written request by Tenant. In addition, as a condition to the effectiveness of any Transfer (whether a Permitted Transfer or consummated with Tenant's consent), Subtenant and/or the Transferee shall pay the Transfer Fee to Tenant at the time the Transfer Notice is provided to Tenant.

**14.2** **Tenant's Consent**. Tenant shall not unreasonably withhold its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. Without limitation as to other reasonable grounds for withholding consent, the parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Tenant to withhold consent to any proposed Transfer where Tenant determines in good faith that one or more of the following apply:

**14.2.1** The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Premises, or would be a significantly less prestigious occupant of the Subject Space than Subtenant;

**14.2.2** The Transferee intends to use the Subject Space for purposes which are not permitted under this Lease;

**14.2.3** The Transferee is either a governmental or quasi-governmental agency or instrumentality thereof (other a charter school);

**14.2.4** The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested;

**14.2.5** The terms of the proposed Transfer will allow the Transferee to exercise a right of renewal, purchase right, or other similar right held by Subtenant; or

**14.2.6** The Transferee does not intend to occupy the entire Premises and conduct its business therefrom for a substantial portion of the term of the Transfer.

If Tenant consents to any Transfer, Subtenant may within four (4) months after Tenant's consent, but not later than the expiration of the one hundred eighty (180) day period set forth in the Transfer Notice, enter into such Transfer of the Premises or portion thereof, upon the same terms and conditions as are set forth in the Transfer Notice furnished by Subtenant to Tenant pursuant to this Lease, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Tenant would initially have been entitled to refuse its consent to such Transfer under this Lease, or (ii) which would cause the proposed Transfer to be more favorable to the Transferee than the terms set forth in Subtenant's original Transfer Notice, Subtenant shall again submit the Transfer to Tenant for its approval and other action under this Article. Notwithstanding anything to the contrary in this Lease, if Subtenant or any proposed Transferee claims that Tenant has unreasonably withheld or delayed its consent under Section 14.2 or otherwise has breached or acted unreasonably under this Article, their sole remedies shall be a declaratory judgment and an injunction for the relief sought without any monetary damages, as well as other remedies any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee. Subtenant shall indemnify, defend and hold harmless Tenant from any and all liability, losses, claims, damages, costs, expenses, causes of action and proceedings involving any third party or parties (including without limitation Subtenant's proposed subtenant or assignee) who claim they were damaged by Tenant's wrongful withholding or conditioning of Tenant's consent.

**14.3** **Transfer Premium**. If Tenant consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Subtenant shall pay to Tenant the Transfer Premium defined herein.

**14.4** **Effect of Transfer**. If Tenant consents to a Transfer and as a condition precedent to the effectiveness of such consent, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by

either Subtenant or a Transferee, (iii) Subtenant shall deliver to Tenant, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Tenant, (iv) Subtenant shall furnish upon Tenant's request a complete statement, certified by an independent certified public accountant, or Subtenant's chief financial officer, setting forth in detail the computation of any Transfer Premium Subtenant has derived and shall derive from such Transfer; and (vi) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Tenant's consent, shall relieve Subtenant or any guarantor of the Lease from any liability under this Lease, including, without limitation, in connection with the Subject Space. Tenant or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Subtenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Subtenant shall, within thirty (30) days after demand, pay the deficiency, and if understated by more than two percent (2%), Subtenant shall pay Tenant's costs of such audit.

**14.5** **Permitted Transfers**. Notwithstanding anything to the contrary contained in this Article, Subtenant shall be entitled to assign the Lease or sublet all or a portion of the Premises to an Affiliate without Tenant's consent provided that: (i) such assignment or sublease is not a subterfuge by Subtenant to avoid its obligations under this Lease; (ii) Subtenant shall notify Tenant of any such proposed assignment or sublease at least sixty (60) days prior to the completion thereof; (iii) upon Tenant's request, Subtenant and/or the Affiliate shall execute an assignment and assumption, sublease, or other similar document confirming the assignment, all in a form and content reasonably approved by Tenant; (iv) Subtenant and/or the Affiliate promptly supplies Tenant with any other documents or information reasonably requested by Tenant; (v) no such assignment or subletting shall relieve Subtenant or any guarantor of the Lease from any liability under this Lease; and (vi) Subtenant and the Affiliate shall have paid Tenant all Transfer Expenses and the Transfer Fee. 1.1 The parties specifically acknowledge that Tenant has drafted and provided their approved form of sublease that has or will be executed by Quest Preparatory Academy and School Foundation.

**14.6** **Occurrence of Default**. Any Transfer hereunder shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any Transfer, Tenant shall have the right to: (i) treat such Transfer as canceled and repossess the Subject Space by any lawful means, or (ii) require that such Transferee attorn to and recognize Tenant as its Tenant under any such Transfer. If Subtenant shall be in default under this Lease, Tenant is hereby irrevocably authorized, as Subtenant's agent and attorney-in-fact, to direct any Transferee to make all payments under or in connection with the Transfer directly to Tenant (which Tenant shall apply towards Subtenant's obligations under this Lease) until such default is cured. Such Transferee shall rely on any representation by Tenant that Subtenant is in default hereunder, without any need for confirmation thereof by Subtenant. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Subtenant thereafter to be performed or observed under this Lease. No collection or acceptance of rent by Tenant from any Transferee shall be deemed a waiver of any provision of this Article or the approval of any Transferee or a release of Subtenant from any obligation under this Lease, whether theretofore or thereafter accruing. In no event shall Tenant's enforcement of any provision of this Lease against any Transferee be deemed a waiver of Tenant's right to enforce any term of this Lease against Subtenant or any other person. If Subtenant's obligations hereunder have been guaranteed, Tenant's consent to any Transfer shall not be effective unless the guarantor also consents to such Transfer.

## ARTICLE 15

## SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

**15.1 Surrender of Premises**. No act or thing done by Tenant or any agent or employee of Tenant during the Term of the Lease shall be deemed to constitute an acceptance by Tenant of a surrender of the Premises unless such intent is specifically acknowledged in writing by Tenant. The delivery of keys to the Premises to Tenant or any agent or employee of Tenant shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Tenant, and notwithstanding such delivery Subtenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Subtenant, whether accepted by Tenant or not, or a mutual termination hereof, shall not work a merger, and at the option of Tenant shall operate as an assignment to Tenant of all subleases or subtenancies affecting the Premises or terminate any or all such sublessees or subtenancies.

**15.2 Delivery of Possession**. Upon the expiration or earlier termination of this Lease, Subtenant shall peaceably leave and surrender the Premises (except as to any portion thereof with respect to which this Lease has previously terminated) to Tenant. Subtenant shall surrender the Premises to Tenant good order and condition and, subject to Tenant's rights under Section 19.2.5 below, Subtenant shall remove from the Premises on or prior to such expiration or earlier termination the Trade Fixtures and personal property which is owned by Subtenant or third parties other than Tenant, and Subtenant at its expense shall, on or prior to such expiration or earlier termination, repair any damage caused by such removal. Trade Fixtures and personal property not so removed at the end of the Term or within thirty days after the earlier termination of the Term for any reason whatsoever shall, at Tenant's option, become the property of Tenant, and Tenant may thereafter cause such property to be removed from the Premises. The cost of removing and disposing of such property and repairing any damage to any of the Premises caused by such removal shall be borne by Subtenant. Tenant shall not in any manner or to any extent be obligated to reimburse Subtenant for any property which becomes the property of Tenant as a result of such expiration or earlier termination (including pursuant to the exercise of Tenant's rights under Section 19.2.5 below). Subtenant waives all claims against Tenant for any damage to Subtenant resulting from Tenant's retention or disposition of any such Trade Fixtures or Subtenant's personal property. Subtenant shall be liable to Tenant for Tenant's costs for storing, removing and disposing of any Trade Fixtures or Subtenant's personal property and shall indemnify and hold Tenant harmless from the claim of any third party to an interest in said personal property.

## ARTICLE 16

## HOLDING OVER

If Subtenant holds over after the expiration of the Term of the Lease or earlier termination thereof, with or without the express or implied consent of Tenant, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Rent shall be payable at a monthly rate equal to one hundred fifty percent (150%) of the amount of Rent paid by Subtenant during the last rentable period of the Term of the Lease. Such month-to-month tenancy shall be subject to every other applicable term, covenant and agreement contained herein. For purposes of this Article, a holding over shall include, without limitation, Subtenant's failure to remove items and restore the Premises as required in Article 15, above. Nothing contained in this Article shall be construed as consent by Tenant to any holding over by Subtenant, and Tenant expressly reserves the right to require Subtenant to surrender possession of the Premises to Tenant as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Article shall not be deemed to limit

or constitute a waiver of any other rights or remedies of Tenant provided herein or at law. If Subtenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Tenant accruing therefrom, Subtenant shall protect, defend, indemnify and hold Tenant harmless from all loss, costs (including reasonable in-house and outside attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding Subtenant founded upon such failure to surrender and any lost profits to Tenant resulting therefrom. A termination or non-renewal of this Lease is not intended to be and shall not be deemed to be a breach of the covenant of good faith and fair dealing.

## ARTICLE 17

## ESTOPPEL CERTIFICATES

Subtenant shall at any time and from time to time, upon not less than twenty (20) days' prior written request from Tenant, execute, acknowledge and deliver to the Tenant a statement in writing in the form of **Exhibit D** attached hereto and such other matters as may reasonably be requested by Tenant or its Lenders. It is intended that any such statements may be relied upon by Tenant and its Lenders, the recipient of such statements or their assignees or by any prospective purchaser, assignee or agent of the Premises. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Premises. Failure of Subtenant to timely execute, acknowledge and deliver such estoppel certificate or other instruments shall constitute an Event of Default and Subtenant's acceptance of the Premises and an acknowledgment by Subtenant that statements included in the estoppel certificate are true and correct, without exception. If Subtenant fails or refuses to execute, acknowledge, and deliver any such document within twenty (20) days after written demand, Tenant, its successors and assigns will be entitled to execute, acknowledge, and deliver any such document on behalf of Subtenant as Subtenant's attorney-in-fact. Subtenant constitutes and irrevocably appoints Tenant, its successors and assigns, as Subtenant's attorney-in-fact to execute, acknowledge, and deliver on behalf of Subtenant any documents described in this Article. This Article shall be self-operative and no further instrument shall be required in order to affect it.

## ARTICLE 18

## SUBORDINATION AND ATTORNMENT

**18.1** **Subordination**. This Lease shall be subject and subordinate to all present and future ground or underlying leases of the Premises and to the lien of any Mortgage or other trust deed or other encumbrances now or hereafter in force against the Premises, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages, trust deeds or other encumbrances, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. Subtenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn, without any deductions or set-offs whatsoever, to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, provided such lienholder or purchaser or ground lessor shall agree to accept this Lease and not disturb Subtenant's occupancy, so long as Subtenant timely pays the rent and observes and performs the terms, covenants and conditions of this Lease to be observed and performed by Subtenant. Tenant's interest herein may be assigned as security at any time to any lienholder or Lender. Subtenant shall, within five (5) business days of request by Tenant, execute such further instruments or assurances as Tenant or the holders of any mortgages or deeds of trust encumbering

the interest of Tenant in the Building or the ground or underlying lessors of the Building or Premises, or any portion thereof may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases. If Subtenant fails or refuses to execute, acknowledge, and deliver any such document within five (5) business days after written demand, Tenant, its successors and assigns will be entitled to execute, acknowledge, and deliver any such document on behalf of Subtenant as Subtenant's attorney-in-fact. Subtenant constitutes and irrevocably appoints Tenant, its successors and assigns, as Subtenant's attorney-in-fact to execute, acknowledge, and deliver on behalf of Subtenant any documents described in this Article. Subtenant waives the provisions of any current or future statute, rule or law which may give or purport to give Subtenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of Subtenant hereunder in the event of any foreclosure proceeding or sale. This Article shall be self-operative and no further instrument of subordination shall be required in order to affect it. Upon Subtenant's request, Tenant agrees to request from its Lender(s) a Non-Disturbance Agreement.

## ARTICLE 19

## DEFAULTS; REMEDIES

**19.1** **Events of Default**. The occurrence of any of the following shall constitute a default of this Lease by Subtenant (an "**Event of Default**"):

**19.1.1** Any failure by Subtenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, when due unless such failure is cured within three (3) business days after written notice that said amounts are past due; provided, however, that Subtenant will not be entitled to more than one (1) notice for default in payment of Rent during any twelve (12) month period, and if, within twelve (12) months after any such notice, any Rent is not paid when due, an event of default will have occurred without further notice; or

**19.1.2** Except where a specific time period is otherwise set forth for Subtenant's performance in this Lease, in which event the failure to perform by Subtenant within such time period shall be an Event of Default by Subtenant under this Section 19.1.2, any failure by Subtenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Subtenant where such failure continues for ten (10) days after written notice thereof from Tenant to Subtenant; provided that if the nature of such default is such that the same cannot reasonably be cured within a ten (10) day period, Subtenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure such default, but in no event exceeding a period of time in excess of thirty (30) days after written notice thereof from Tenant to Subtenant; or

**19.1.3** To the extent permitted by law, a general assignment by Subtenant or any guarantor of this Lease for the benefit of creditors, or the taking of any corporate action in furtherance of bankruptcy or dissolution whether or not there exists any proceeding under an insolvency or bankruptcy law, or the filing by or against Subtenant, an Affiliate, or any guarantor of any proceeding under an insolvency or bankruptcy law, unless in the case of a proceeding filed against Subtenant, an Affiliate, or any guarantor the same is dismissed within sixty (60) days, or the appointment of a trustee or receiver to take possession of all or substantially all of the assets of Subtenant, an Affiliate, or any guarantor, unless possession is restored to Subtenant, an Affiliate, or such guarantor within thirty (30) days, or any execution or other judicially authorized seizure of all or substantially all of Subtenant's assets located upon the Premises or of Subtenant's interest in this Lease, unless such seizure is discharged within thirty (30) days; or

**19.1.4** Abandonment or vacation of all or a substantial portion of the Premises by Subtenant; or

**19.1.5** Subtenant ceases to operate according to its normal course of business for a period of thirty (30) days excepting therefrom any normal school holiday and summer breaks; or

**19.1.6** The failure by Subtenant to observe or perform according to the provisions of Section 10.3 or any other Insurance Requirements, where such failure continues for more than five (5) business days after notice from Tenant; or

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law.

**19.2** **Remedies Upon Default**. Upon the occurrence of any Event of Default by Subtenant, Tenant shall have, in addition to any other remedies available to Tenant at law or in equity (all of which remedies shall be distinct, separate and cumulative), the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

**19.2.1** Terminate this Lease, in which event Subtenant shall immediately surrender the Premises to Tenant, and if Subtenant fails to do so, Tenant may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Subtenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Tenant may recover from Subtenant the following:

(i) The worth at the time of any unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Subtenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term of the Lease after the time of award exceeds the amount of such rental loss that Subtenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Tenant for all the detriment proximately caused by Subtenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new Subtenant, whether for the same or a different use, and any special concessions made to obtain a new Subtenant; and

(v) At Tenant's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "rent" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Subtenant pursuant to the terms of this Lease, whether to Tenant or to others. As used in Paragraphs 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the Default Rate, but in no case greater than the maximum amount of

such interest permitted by law. As used in Paragraph 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

**19.2.2** To the extent that Subtenant was permitted to occupy the Premises without the payment of Rent or at a reduced Rent at the beginning of the Term of the Lease ("reduced rent period"), Tenant shall be entitled to a recovery of an amount equal to what the Rent would have been during the reduced rent period to be determined at the Rent rate per month established for the last month of the first year of the Term of the Lease of this Lease (including any renewal or extension of this Lease).

**19.2.3** Upon the occurrence of an Event of a Default, Tenant shall have the remedy to continue the Lease in effect after Subtenant's breach and abandonment and recover rent as it becomes due, if Subtenant has the right to sublet or assign, subject only to reasonable limitations. Accordingly, if Tenant does not elect to terminate this Lease on account of any Event of Default by Subtenant, Tenant may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

**19.2.4** Tenant shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under Sections 19.2.1 through 19.2.3, above, or any law or other provision of this Lease), without prior demand or notice except as required by applicable law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease, or restrain or enjoin a violation or breach of any provision hereof.

**19.2.5** In addition to any other rights and remedies set forth in this Lease, upon any termination of this Lease due to an Event of Default or upon the end of the Term of the Lease, Tenant shall have the right (but not the obligation) to become the owner of some or all of the Trade Fixtures located on the Premises (at Tenant's sole discretion) which existed prior to such Event of Default. Tenant shall exercise the foregoing right, if at all, no later than ninety (90) days after the termination of the Lease due to an Event of Default. Tenant reserves the right to demand a mandatory meeting between Tenant and Subtenant (or, if Subtenant refuses such demand, to enter onto the Premises at any time) at any time to establish and document those items that shall be removed or left. Upon Tenant's request, Subtenant shall execute and deliver a General Assignment and Bill of Sale (or other similar document) confirming Tenant's ownership of the applicable Trade Fixtures. If Subtenant fails or refuses to execute, acknowledge, and deliver any such document within five (5) business days after written demand, Tenant, its successors and assigns will be entitled to execute, acknowledge, and deliver any such document on behalf of Subtenant as Subtenant's attorney-in-fact.

**19.3 Subleases of Subtenant**. Whether or not Tenant elects to terminate this Lease on account of any Event of Default, as set forth in this Article, Tenant shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Subtenant and affecting the Premises or may, in Tenant's sole discretion, succeed to Subtenant's interest in such subleases, licenses, concessions or arrangements. In the event of Tenant's election to succeed to Subtenant's interest in any such subleases, licenses, concessions or arrangements, Subtenant shall, as of the date of notice by Tenant of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

**19.4 Form of Payment After Default**. Following the occurrence of an Event of Default by Subtenant, Tenant shall have the right to require that any or all subsequent amounts paid by Subtenant to Tenant hereunder, whether to cure the default in question or otherwise, be paid in the form of cash, money order, cashier's or certified check drawn on an institution acceptable to Tenant, or by other means approved by Tenant, notwithstanding any prior practice of accepting payments in any different form.

**19.5** **Efforts to Relet**. No re-entry or repossession, repairs, maintenance, changes, alterations and additions, reletting, appointment of a receiver to protect Tenant's interests hereunder, or any other action or omission by Tenant shall be construed as an election by Tenant to terminate this Lease or Subtenant's right to possession, or to accept a surrender of the Premises, nor shall same operate to release Subtenant in whole or in part from any of Subtenant's obligations hereunder, unless express written notice of such intention is sent by Tenant to Subtenant. Subtenant hereby irrevocably waives any right otherwise available under any law to redeem or reinstate this Lease.

**19.6** **Default by Tenant**. Tenant shall not be deemed to be in default in the performance of any obligation required by it under this Lease, or under any agreement executed in connection herewith, unless and until it has failed to perform such obligation within thirty (30) days after receipt of written notice by Subtenant to Tenant, specifying wherein Tenant has failed to perform such obligation; provided, however, that if the nature of Tenant's obligation is such that more than thirty (30) days are required for its performance, then Tenant shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion. Nothing in this Article shall be interpreted to mean that Subtenant shall have the right to terminate this Lease or that Subtenant is excused from paying any Rent due hereunder. If Tenant fails to cure its default during the applicable time period, Subtenant's sole and exclusive remedy shall be to bring an action for its actual damages. Subtenant hereby expressly waives all of its other rights and remedies including, without limitation, any claim for consequential or punitive damages.

## ARTICLE 20

## FINANCIAL STATEMENTS; OTHER DOCUMENTS

Subtenant shall furnish to the Tenant within one hundred twenty (120) days after the end of each fiscal year of Subtenant, (a) consolidated financial statements for Subtenant, its parent and its subsidiaries, including a balance sheet, statements of income, statements of cash flow and statement of changes in stockholder's equity, and (b) the same statements for Subtenant as its independent entity. All statements shall be certified by independent certified public accountants of recognized standing selected by Subtenant, and all shall be delivered together with copies of all documents and materials filed by it, its parent or its subsidiaries during the year with the United States Securities and Exchange Commission, any Regulatory Agency, or its lenders. If there is a guarantor of this Lease, at such time Subtenant shall provide all of the foregoing documents and information with respect to such Guarantor(s). Without limiting the foregoing, at any time during the Term of the Lease, Tenant may require Subtenant and any Guarantor(s), to provide Tenant with then current financial statements. In addition, Subtenant shall promptly furnish the Tenant from time to time such other information regarding its operations, business affairs and financial condition concerning the Premises as the Tenant may reasonably request. Subtenant shall provide the Tenant with copies of any reports within ten (10) days of the regulatory required submission of reports to be furnished to any Regulatory Agency or lender (collectively, "Agencies") relative to the Premises or Subtenant's activities and operations.

## ARTICLE 21

## SECURITY DEPOSIT

Concurrent with Subtenant's execution of this Lease, Subtenant shall deposit the Security Deposit with Tenant as security for the faithful performance by Subtenant of all of its obligations under this Lease. If Subtenant defaults with respect to any provisions of this Lease, including, but not limited to, the provisions relating to the payment of Rent, the removal of property and the repair of resultant damage, Tenant may, without notice to Subtenant, but shall not be required to apply all or any part of the Security

Deposit for the payment of any Rent or any other sum in default and Subtenant shall, within five (5) days of demand therefor, restore the Security Deposit to its original amount. Any unapplied portion of the Security Deposit shall be returned to Subtenant, or, at Tenant's option, to the last assignee of Subtenant's interest hereunder, within sixty (60) days following the expiration of the Term of the Lease so long as Subtenant is not in default under this Lease. Subtenant shall not be entitled to any interest on the Security Deposit. Without limiting the generality of the foregoing, Subtenant acknowledges that the Security Deposit may be held and applied to offset any and all damages arising from Subtenant's default under, or breach of this Lease. Tenant is not required to hold the Security Deposit in a separate account and may co-mingle the funds with other funds of Tenant.

## ARTICLE 22

## SIGNS

**22.1** **Advertising Media**. Subtenant shall not affix upon the Premises any sign, advertising placard, name, insignia, trademark, descriptive material or other like item unless approved by Tenant in advance. No advertising medium shall be utilized by Subtenant which can be heard or seen outside the Premises or patio area including, without limitation, flashing lights, searchlights, loudspeakers, phonographs, radios or televisions.

**22.2** **Signs**. Notwithstanding anything contained in Section 22.1 to the contrary, Subtenant shall erect signs at its own expense in accordance with (a) the sign criteria established by Tenant; and (b) all applicable laws, ordinances and regulations, and shall maintain these signs in good condition and repair during the Term. At Tenant's option, Subtenant shall, at its sole cost and expense, remove some or all of the signs installed by Subtenant upon the expiration or earlier termination of this Lease.

**22.3** **Prohibited Signage and Other Items**. Any signs, notices, logos, pictures, names or advertisements which are installed and that have not been separately approved by Tenant may be removed without notice by Tenant at the sole expense of Subtenant.

**22.4** **Change in Subtenant's Name**. Should the name of Subtenant be legally changed to another name, Subtenant shall be entitled to modify, at Subtenant's sole cost and expense, Subtenant's name on the signage previously installed pursuant to this Article to reflect Subtenant's new name, so long as Tenant reasonably determines the new name does not relate to an entity which is of a character or reputation, or is associated with a political orientation or faction, which is inconsistent with the quality of the Premises, or which would otherwise reasonably offend or be unacceptable to a Tenant of comparable Premises.

## ARTICLE 23

## LATE CHARGES

Subtenant hereby acknowledges that late payment by Subtenant to Tenant of Rent due hereunder will cause Tenant to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing, administration and accounting charges and late charges which may be imposed on Tenant by the terms of any encumbrance covering the Premises. Accordingly, if any installment of Rent or any other sum due from Subtenant shall not be received by Tenant or Tenant's designee within five (5) days after said amount is due, then Subtenant shall pay to Tenant a late charge equal to the greater of (i) five percent (5%) of the overdue amount, or (ii) Two Hundred Fifty Dollars ($250.00). In addition, Subtenant shall pay any in-house and outside attorneys' fees incurred by Tenant by reason of Subtenant's failure to pay Rent and/or other

charges when due hereunder. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Tenant's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Tenant's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing under this Lease which are not paid within five (5) days after the date they are due shall bear interest from the date when due until paid at the Default Rate.

## ARTICLE 24

## TENANT'S RIGHT TO CURE DEFAULT; PAYMENTS BY SUBTENANT

**24.1 Tenant's Cure**. All covenants and agreements to be kept or performed by Subtenant under this Lease shall be performed by Subtenant at Subtenant's sole cost and expense and without any reduction of Rent, except to the extent, if any, otherwise expressly provided herein. If Subtenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the time allowed under Section 19.1, above, unless a specific time period is otherwise stated in this Lease, Tenant may, but shall not be obligated to, make any such payment or perform any such act on Subtenant's part without waiving its rights based upon any default of Subtenant and without releasing Subtenant from any obligations hereunder.

**24.2 Subtenant's Reimbursement**. Except as may be specifically provided to the contrary in this Lease, Subtenant shall pay to Tenant, upon delivery by Tenant to Subtenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Tenant in connection with the remedying by Tenant of Subtenant's defaults pursuant to the provisions of Section 24.1; and (ii) sums equal to all expenditures made and obligations incurred by Tenant in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Tenant under this Lease or pursuant to law, including, without limitation, all legal fees and other amounts so expended plus Tenant's Administrative Fee. Subtenant's obligations under this Section 24.2 shall survive the expiration or sooner termination of the Term of the Lease.

## ARTICLE 25

## ENTRY BY TENANT

Tenant, its agents, contractors, servants and employees may upon 24 hours prior oral notice enter the Premises during business hours upon reasonable notice and complying with any of Subtenant's/agents visitor policies if entry is during school hours (except in the event of an emergency, in which case, Tenant may enter the Premises at all times without notice), (a) to examine and inspect the Premises; (b) to perform any obligation, or exercise any right or remedy, of Tenant under this Lease; (c) to make repairs to the Premises as Tenant deems necessary or desirable; (d) to perform work necessary to comply with the Legal Requirements and/or Insurance Requirements; (e) to perform work that Tenant deems reasonably necessary to prevent waste or deterioration in connection with the Premises; (f) to show the Premises to prospective purchasers, Lenders, mortgagees or Subtenants, or to current or prospective Lenders, mortgagees, ground or underlying lessors or insurers; (g) to post notices of nonresponsibility; (h) to take possession due to any breach of this Lease in the manner provided herein; and (i) perform any covenants of Subtenant which Subtenant fails to perform. Tenant may make any such entries without the abatement of Rent and may take such reasonable steps as required to accomplish the stated purposes. Subtenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Subtenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by Tenant's entry, all claims for such damage being hereby released. In an

emergency, Tenant shall have the right to use any means that Tenant may deem proper to open the doors in and to the Premises. Any entry into the Premises by Tenant in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Subtenant from any portion of the Premises. No provision of this Lease shall be construed as obligating Tenant to perform any repairs, alterations or decorations. No reentry into or taking of possession of the Premises by Tenant pursuant to this Article shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Subtenant or unless the termination thereof be decreed by a court of competent jurisdiction. No notice from Tenant under this Lease or under a forcible entry and detainer statute or similar law will constitute an election by Tenant to terminate this Lease unless such notice specifically says so. Tenant reserves the right following any such reentry or re-letting, or both, to exercise its right to terminate this Lease by giving Subtenant such written notice, and, in that event the Lease will terminate as specified in such notice.

## ARTICLE 26

## MISCELLANEOUS PROVISIONS

### 26.1 Subtenant's Reporting Requirements.

**26.1.1** Subtenant shall require in any further authorized sublease that its subtenant notify Subtenant, who then shall notify Tenant, in writing of any change in its senior management within fifteen (15) calendar days of obtaining knowledge of such change. For the purposes hereof, the term "senior management" shall include, but is not limited to, the positions of principal, dean of students, business/financial manager and executive director and governing board members.

**26.1.2** Subtenant of the Subtenant shall be required to provide to Subtenant, who shall then notify Tenant, within thirty (30) calendar days after filing with a Regulatory Agency, or if not required to be filed a Regulatory Agency, concurrently with the required submission under **Section 26.1.3**, an annual report documenting (a) its subtenant's previous year's progress in meeting the performance-based goals identified in it's subtenant charter application and (b) all State-mandated test scores and performance assessments and other accountability indicators, including proficiency rates and Annual Yearly Progress (AYP) results as required under the federal No Child Left Behind Act (for so long as such statute applies to public Charter schools).

**26.1.3** Within thirty (30) calendar days following its annual issuance, but not later than one hundred twenty (120) calendar days after its subtenant's fiscal year, Subtenant shall obtain and provide to Tenant a copy of its annual audited financial statements. In addition, within thirty (30) calendar days after submittal to a Regulatory Agency, Subtenant shall require its subtenant to provide to Subtenant, who shall then provide to Tenant, a copy of its annual operating budget, as approved by its subtenant's governing board and submitted to the State.

**26.1.4** On each anniversary of the Lease Commencement Date, Subtenant shall provide to Tenant documentation from the Regulatory Agency responsible for granting its subtenant its charter that its subtenant is in good standing under its charter. Subtenant shall also provide to Tenant any and all documentation related to the continuation or renewal of its subtenant's charter, including but not limited to periodic compliance reviews by the granting authority.

**26.1.5** Subtenant shall provide Tenant with incident reports covering unusual or exigent occurrences or events (including, but not limited to, reports of serious accidents, damage, injuries, any insurance claims filed by or against Subtenant or its subtenant, casualty, etc.) effecting Subtenant or its subtenant within forty-eight (48) hours of said event.

**26.2** **Terms; Captions**. The words "Tenant" and "Subtenant" and "subtenant" as used herein shall include the plural as well as the singular. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

**26.3** **Binding Effect**. Subject to all other provisions of this Lease, each of the covenants, conditions, and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Tenant and of Subtenant, but also of their respective heirs, personal representatives, successors or assigns, provided this clause shall not permit any assignment by Subtenant contrary to the provisions of Article 14 of this Lease.

**26.4** **No Air Rights**. No rights to any view or to light or air over any property, whether belonging to Tenant or any other person, are granted to Subtenant by this Lease. If at any time any windows of the Premises are temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in, on, or about the Premises, the same shall be without liability to Tenant and without any reduction or diminution of Subtenant's obligations under this Lease.

**26.5** **Modification of Lease**. Should any current or prospective mortgagee, Lender, credit facilitator, or ground lessor for the Premises require a modification of this Lease, which modification will not cause an increased cost or expense to Subtenant or in any other way materially and adversely change the rights and obligations of Subtenant hereunder, then and in such event, Subtenant agrees that this Lease may be so modified and agrees to execute whatever documents are reasonably required therefor and to deliver the same to Tenant within ten (10) days following a request therefor. At the request of Tenant or any mortgagee, credit facilitator, or ground lessor, Subtenant agrees to execute a short form of Lease and deliver the same to Tenant within ten (10) days following the request therefor.

**26.6** **Transfer of Tenant's Interest**. Subtenant acknowledges that Tenant has the right to transfer all or any portion of its interest in the Premises or Building and in this Lease, and Subtenant agrees that in the event of any such transfer, Tenant shall automatically be released from all liability under this Lease for the portion of the interest transferred and Subtenant agrees to look solely to such transferee for the performance of Tenant's obligations hereunder for the portion of the interest transferred after the date of transfer and such transferee shall be deemed to have fully assumed and be liable for all obligations of this Lease to be performed by Tenant for the portion of the interest transferred, including the return of any Security Deposit, and Subtenant shall attorn to such transferee. Subtenant further acknowledges that Tenant may assign its interest in this Lease to a Lender as additional security and agrees that such an assignment shall not release Tenant from its obligations hereunder and that Subtenant shall continue to look to Tenant for the performance of its obligations hereunder.

**26.7** **Prohibition Against Recording**. Except for the recordation of a memorandum as provided in Section 9.2 of this Lease, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Subtenant or by anyone acting through, under or on behalf of Subtenant.

**26.8** **Tenant's Title**. Tenant's title is and always shall be paramount to the title of Subtenant. Nothing herein contained shall empower Subtenant to do any act which can, shall or may encumber the title of Tenant.

**26.9** **Relationship of Parties**. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Tenant and Subtenant.

**26.10** **Application of Payments**. Tenant shall have the right to apply payments received from Subtenant pursuant to this Lease, regardless of Subtenant's designation of such payments, to satisfy any obligations of Subtenant hereunder, in such order and amounts as Tenant, in its sole discretion, may elect.

**26.11** **Time of Essence**. Time is of the essence with respect to Subtenant's performance of every provision of this Lease in which time of performance is a factor (including, without limitation, Subtenant's delivery of an Option Decline Notice, if any).

**26.12** **Partial Invalidity**. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

**26.13** **No Warranty**. In executing and delivering this Lease, Subtenant has not relied on any representations, including, but not limited to, any representation as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Tenant is furnishing the same services to other Subtenants, at all, on the same level or on the same basis, or any warranty or any statement of Tenant which is not set forth herein or in one or more of the exhibits attached hereto. Subtenant agrees that neither Tenant nor any agent of Tenant has made any representation or warranty as to the suitability of the Premises for the conduct of Subtenant's business, that any specific Subtenant or number of Subtenants shall occupy any space in buildings adjacent (or in proximity) to the Premises, nor has Tenant agreed to undertake any modification, alteration or improvement to the Premises except as provided in this Lease. Subtenant further agrees that neither Tenant nor any agent of Tenant has made any representation or warranty with respect to the physical condition of the Premises, the land upon which the Premises are located, or the expenses of operation of the Premises, or any other matter or thing affecting or related to the Premises, except as herein expressly set forth in the provisions of this Lease.

**26.14** **Tenant Exculpation**. The liability of Tenant or the Tenant Parties to Subtenant for any default by Tenant under this Lease or arising in connection herewith or with Tenant's operation, management, leasing, repair, renovation, alteration or any other matter relating to the Premises shall be limited solely and exclusively to an amount which is equal to the lesser of (a) the interest of Tenant in the Premises or (b) the equity interest Tenant would have in the Premises if the Premises were encumbered by third-party debt in an amount equal to eighty percent (80%) of the value of the Premises (as such value is reasonably determined by Tenant), provided that in no event shall such liability extend to any sales or insurance proceeds received by Tenant or the Tenant Parties in connection with the Premises. Neither Tenant, nor any of the Tenant Parties shall have any personal liability therefor, and Subtenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Subtenant. The limitations of liability contained in this Section 26.13 shall inure to the benefit of Tenant's and the Tenant Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Tenant (if Tenant is a partnership), or trustee or beneficiary (if Tenant or any partner of Tenant is a trust), have any liability for the performance of Tenant's obligations under this Lease. Notwithstanding any contrary provision herein, neither Tenant nor the Tenant Parties shall be liable under any circumstances for injury or damage to, or interference with, Subtenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

**26.15 Entire Agreement**. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease constitutes the parties' entire agreement with respect to the leasing of the Premises and supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Tenant to Subtenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. None of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto.

**26.16 Waiver of Redemption by Subtenant**. Subtenant hereby waives, for Subtenant and for all those claiming under Subtenant, any and all rights now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Subtenant's right of occupancy of the Premises after any termination of this Lease or after granting of the right of possession to Tenant by order of a court of competent jurisdiction.

**26.17 Notices**. All Notices given or required to be given by either party to the other hereunder or by law shall be in writing and shall be (A) transmitted by facsimile or email, if such facsimile or email is promptly followed by a Notice sent by Mail with return receipt requested, (B) delivered by a nationally recognized overnight courier, or (C) delivered personally with receipt of delivery. If any Notice is sent by facsimile or email, the date that the Notice is deemed to be delivered shall be (i) the date a receipt by the receiving party is acknowledged either by return facsimile or email or (ii) the date received by the receiving party by Mail evidenced by return receipt. Any Notice given by overnight courier will be deemed given on the date the overnight courier delivery is made, and any Noticed given by personal delivery will be deemed given on the date personal delivery is made or attempted to be made. If Notice is tendered under the provisions of this Lease and is refused, or a return receipt is refused to be given, by the intended recipient of the Notice, the Notice shall nonetheless be considered to have been given and shall be effective as of the date provided in this Lease. The contrary notwithstanding, any Notice given to Subtenant in a manner other than that provided in this Lease, which is actually received by Subtenant, shall be effective with respect to Subtenant on receipt of such Notice. Any Notice shall be sent, transmitted, or delivered, as the case may be, to Subtenant at the appropriate address set forth in Section 7 of the Basic Lease Provisions, or to such other place as Subtenant may from time to time designate in a Notice to Tenant, or to Tenant at the addresses set forth in Section 8 of the Basic Lease Provisions, or to such other places as Tenant may from time to time designate in a Notice to Subtenant. If Subtenant is notified of the identity and address of Tenant's mortgagee, Lender, or ground or underlying lessor, Subtenant shall give to such mortgagee, Lender, or ground or underlying lessor written notice of any default by Tenant under the terms of this Lease by registered or certified mail, and such mortgagee, Lender, or ground or underlying lessor shall be given a reasonable opportunity to cure such default prior to Subtenant's exercising any remedy available to Subtenant.

**26.18 Joint and Several**. If there is more than one Subtenant, the obligations imposed upon Subtenant under this Lease shall be joint and several.

**26.19 Authority**. If Subtenant is a corporation, trust or partnership, each of the persons executing this Lease on behalf of Subtenant warrants to Tenant that Subtenant is a duly authorized and existing corporation, that Subtenant is qualified to do business in the state in which the Premises are located, that Subtenant has full right and authority to enter into this Lease and that each person signing this Lease on behalf of Subtenant has full authority to do so. Within thirty (30) days after this Lease is signed, Subtenant shall deliver to Tenant a certified copy of a resolution of Subtenant's Board of Directors authorizing the execution of this Lease or other evidence of such authority reasonably acceptable to Tenant.

**26.20 Attorneys' Fees**. In the event that either Tenant or Subtenant brings any action, arbitration, or proceeding against the other for possession of the Premises or for the recovery of any sum due hereunder, or because of the breach of any covenant, condition, or provision hereof, or for any other relief against the other, declaratory or otherwise, including appeals therefrom, and whether being an action based upon a tort, or contract or this Lease, then the prevailing party to this Lease in any such proceeding shall be paid by the other party to this Lease in any such proceeding reasonable in-house and outside attorneys' fees (as costs) and all costs of such action or proceeding which shall be enforceable, whether or not such action or proceeding is prosecuted to final judgment, and including an allowance for in-house and outside attorneys' fees (as costs) for appeals and rehearings. Should Tenant be made a party to any suit or proceeding brought by any third party, arising by reason of Subtenant's use or occupancy of the Premises and not being a dispute essentially between Tenant and Subtenant, then Subtenant shall defend the same and Tenant therein, at Subtenant's sole cost and expense, and shall hold Tenant free and harmless from any liability, duty or obligation therein, including all in-house and outside attorneys' fees of Tenant.

**26.21 Governing Law**. THIS LEASE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED. IN THE EVENT TENANT COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, SUBTENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OF DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, HOWEVER SUBTENANT SHALL RETAIN ALL RIGHTS UNDER THE LAW AND MAY FILE ANY ACTION OR CLAIM SO LONG AS IT IS RELEGATED TO AN INDEPENDENT ACTION AT LAW AND NOT A COUNTERCLAIM IN THE SUIT FOR NONPAYMENT IN ANY ACTION OR PROCEEDING ARISING HEREFROM, TENANT AND SUBTENANT HEREBY CONSENT TO THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE OF NEVADA.

**26.22 Submission of Lease**. Submission of this instrument for examination or signature by Subtenant does not constitute a reservation of, option for, or option to lease and it is not effective as a lease or otherwise until execution and delivery by both Tenant and Subtenant.

**26.23 Brokers**. Tenant and Subtenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation reasonable in-house and outside attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under the indemnifying party.

**26.24 Independent Covenants**. This Lease shall be construed as though the covenants herein between Tenant and Subtenant are independent and not dependent and Subtenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Tenant fails to perform its obligations set forth herein, Subtenant shall not be entitled to make any repairs or perform any acts hereunder at Tenant's expense or to any setoff of the Rent or other amounts owing hereunder against Tenant.

**26.25 Counterparts**. This Lease may be executed in counterparts with the same effect as if both parties hereto had executed the same document. Both counterparts shall be construed together and shall constitute a single lease.

**26.26** **Confidentiality**. Subtenant acknowledges that the content of this Lease and any related documents are confidential information. Subtenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Subtenant's financial, legal, and space planning consultants.

**26.27** **No Violation**. Subtenant hereby warrants and represents that neither its execution of nor performance under this Lease shall cause Subtenant to be in violation of any agreement, instrument, contract, law, rule or regulation by which Subtenant is bound, and Subtenant shall protect, defend, indemnify and hold Tenant harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable in-house and outside attorneys' fees and costs, arising from Subtenant's breach of this warranty and representation.

**26.28** **Development of the Project**.

**26.28.1** **Intentionally Deleted.**

**26.28.2** **Intentionally Deleted.**

**26.28.3** **Construction of Other Improvements**. Subtenant acknowledges that Tenant may perform construction on the Premises following Subtenant's occupancy of the Premises, and that such construction may result in levels of noise, dust, obstruction of access, etc. which are in excess of that present in a fully constructed project. Subtenant hereby waives any and all rent offsets or claims of constructive eviction which may arise in connection with such construction.

**26.29** **Intentionally Deleted.**

**26.30** **Waiver of Jury Trial**. SUBTENANT AND TENANT HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION OR ARBITRATION OR SIMILAR JUDICIAL PROCEEDING ARISING OUT OF OR IN ANY WAY RELATING TO THIS LEASE.

**26.31** **Hazardous Substances**. Tenant may, upon reasonable notice to Subtenant, be granted access to and enter the Premises at any time to perform or cause to have performed an environmental inspection, site assessment or audit. Such environmental inspector or auditor may be chosen by Tenant, in its sole discretion, and be performed at Tenant's sole expense, except as provided herein. To the extent that the report prepared upon such inspection, assessment or audit, indicates the presence of Hazardous Materials in violation of Environmental Laws, or provides recommendations or suggestions to prohibit the release, discharge, escape or emission of any Hazardous Materials at, upon, under or within the Premises, or to comply with any Environmental Laws, Subtenant shall promptly, at Subtenant's sole expense, comply with such recommendations or suggestions, including, but not limited to performing such additional investigative or subsurface investigations or remediation(s) as recommended by such inspector or auditor and Subtenant shall reimburse Tenant for the costs or fees of the initial and any subsequent environmental inspection, site assessment or audit report as Additional Rent. Notwithstanding the above, if at any time, Tenant has actual notice or reasonable cause to believe that Subtenant has violated, or permitted any violations of any Environmental Law, then Tenant will be entitled to perform an environmental inspection, assessment or audit at any time, and Subtenant must reimburse Tenant for the cost or fees incurred for such as Additional Rent.

**26.32** **Approval by Lender**. Subtenant acknowledges and agrees that this Lease may be subject to the approval of Tenant's lender, and Subtenant hereby agrees to make such modifications of

this Lease as shall be reasonably requested by Tenant's lender, so long as such modifications shall not increase Rent payable hereunder, or the Term hereof, or otherwise materially, adversely affect Subtenant's rights and obligations hereunder.

**26.33 Guaranty**. If so indicated in Basic Lease Provisions, this Lease is subject to and conditioned upon Subtenant delivering to Tenant, concurrently with Subtenant's execution and delivery of this Lease, a guaranty in the form set forth as **Exhibit 101** attached hereto, if any, which guaranty shall be executed by and binding upon the guarantor.

**26.34 State Specific Provisions**. The provisions set forth on **Exhibit F** attached hereto (if any) are incorporated herein by reference.

**26.35 Superseding Lease Provisions.** The provisions set forth on **Exhibit G** attached hereto (if any) are incorporated herein by reference. In the event of any conflict between the provision in **Exhibit G** and those set forth elsewhere in this Lease, the provision on **Exhibit G** shall be deemed controlling.

**26.36 Calendar Day/Business Day**. The term "day" in this lease shall mean calendar days unless "business day" is specifically noted. "Business day" shall mean any calendar day that is not a Saturday, Sunday or federal or State of Nevada holiday. The time for performance on any day shall be no later than 5:00 p.m. local Las Vegas, NV time, unless otherwise provided in this Lease.

**26.37 Construction**. This Lease shall not be construed in favor of or against either party, but shall be construed as if both parties prepared this Lease. Tenant and Subtenant acknowledge that they have been represented by counsel of their own choice. This Lease and any ambiguities or uncertainties contained in this Lease shall be equally and fairly interpreted for the benefit of and against all parties to this Lease and shall further be construed and interpreted without reference to the identity of the party or parties preparing this document, it being expressly understood and agreed that the parties hereto participated equally in the negotiation and preparation of this Lease or have had equal opportunity to do so.

**[End of Lease Provisions - Exhibits to Follow.]**

# EXHIBIT A

## DEFINITIONS APPLICABLE TO THE LEASE

"**Additional Rent**" shall mean all amounts due and payable by Subtenant under this Lease other than Minimum Annual Rent.

"**Administrative Fee**" means and refers to any fee or costs charged by Tenant for its management and overhead with respect to the Lease and/or the Premises, and/or compensation for time expended (at professional rates) to administer or attend to any provision of the Lease.

"**Affiliate**" means and refers to any company or entity controlled by, controls, or is under common control with, Subtenant or any company or entity in which Subtenant influences the operation, direction or management. "**Control,**" as used in this paragraph means (i) the ownership, directly or indirectly, of at least fifty-one percent (51%) of the voting securities of, or (ii) possession of the right to vote, in the ordinary direction of its affairs, of at least fifty-one percent (51%) of the voting interest in, any person, company or entity.

"**Alteration**" or "**Alterations**" means and refers to mean (whether or not adjacent to or abutting any then-existing buildings) any or all changes, additions, expansions, improvements, reconstructions, removals or replacements of or to any part of the Premises (including, without limitation, the Improvements or Equipment), both interior or exterior, and ordinary and extraordinary.

"**Brokers**" means and refers to the real estate brokers or agents specified in the Basic Lease Provisions.

"**Building**" means and refers to the buildings, structures and other improvements now existing or hereinafter constructed on the Land.

"**Casualty**" means and refers to any damage or destruction to all or any portion of the Premises regardless of the cause of such damage or destruction and whether or not insured against. Casualty includes, without limitation, damage or destruction caused by fire, vandalism, acts of god or nature, earthquake, and water damage of any and all type.

"**Claims and Losses**" means and refers to (as the context requires) any or all losses, costs, damages, causes of action, suits, claims, demands or judgments, expense and liability of any nature whatsoever, howsoever caused (including without limitation court costs, expert's costs, and reasonable fees for in-house and outside attorneys and their staff members).

"**Condemnation**" means and refers to (i) any Requisition; and/or (ii) Taking.

"**Default Rate**" means and refers to the greater of the following per annum rates: (i) the rate equal to the "prime rate" announced from time to time by Bank of America, a national banking association, or its successor, as its prime rate plus four percent (4%), (ii) twelve percent (12%) per annum, and (iii) the highest rate permitted by applicable law.

"**Equipment**" means and refers to the machinery and equipment which is now or hereinafter attached to the Building or Land in such a manner as to become fixtures under applicable law, together with all additions and accessions thereto, substitutions therefor and replacements thereof permitted by this Lease, excepting therefrom the Trade Fixtures.

"**Entity Transfers**" means and refers to any of the following: (i) if Subtenant is a partnership or limited liability company, the withdrawal or change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more (calculated on an aggregate basis cumulative over time) of the partners/members, or transfer of fifty percent (50%) or more (calculated on an aggregate basis cumulative over time) of partnership/membership interests, or the dissolution of the partnership/limited liability company without immediate reconstitution thereof, and (ii) if Subtenant is a closely held corporation (*i.e.*, whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Subtenant or (B) the sale or other transfer of an aggregate (cumulative over time) of fifty percent (50%) or more of the voting shares of Subtenant , or (C) the sale, mortgage, hypothecation or pledge of an aggregate (cumulative over time) of fifty percent (50%) or more of the book value or market value (whichever is lesser) of the assets of Subtenant. In addition, Entity Transfer shall include any transaction or series of transactions whereby Subtenant converts from a non-profit entity to a for-profit entity or any change in guarantors, credit enhancers or holders of any charter or operating license for the Subtenant of any type.

"**Environmental Laws**" means and refers to any and all federal, state, local or quasi-governmental laws (whether under common law, statute or otherwise), ordinances, decrees, codes, rulings, awards, rules, compliance or mitigation programs (including, without limitation, asbestos containing materials operation and maintenance plans), regulations or guidance or policy documents now or hereafter enacted or promulgated and as amended from time to time, in any way relating to (i) the protection of the environment, the health and safety of persons (including employees), property or the public welfare from actual or potential release, discharge, escape or emission (whether past or present) of any hazardous materials or (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any hazardous materials.

"**Event of Default**" is defined in Section 19.1.

"**Ground Lease**" "**Ground Lease**" means and refers to that certain Ground Lease, dated August 6, 2014, executed by Garden Foods Inc. dba GF Capital, as Ground Lessor, and Tenant, as Ground Lessee.

"**Hazardous Materials**" and "**Hazardous Substances**" means and refers to any solid, liquid or gaseous substance or material that is described or characterized as a toxic or hazardous substance, waste, material, pollutant, contaminant or infectious waste, or any matter that in certain specified quantities would be injurious to the public health or welfare, or words of similar import, in any of the Environmental Laws", or any other words which are intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity or reproductive toxicity and includes, without limitation, asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum products, polychlorinated biphenyls, urea formaldehyde, radon gas, nuclear or radioactive matter, medical waste, soot, vapors, fumes, acids, alkalis, chemicals, microbial matters (such as molds, fungi or other bacterial matters), biological agents and chemicals which may cause adverse health effects, including but not limited to, cancers and /or toxicity. The words "Hazardous Materials" and "Hazardous Substances" have the same meaning and can be used interchangeably.

"**Improvements**" means and refers collectively to the Building or any other improvements on, to, or about the Land.

"**Insurance Requirements**" means and refers collectively to any and all of the terms and specifications of each insurance policy required to be carried by Subtenant under this Lease (including, without limitation, the policies required by the provisions of **Exhibit E** attached to the Lease) and the requirements of the issuer of such policy, including any existing violation of any thereof. Insurance Requirements also shall

include, if applicable, the requirements of (i) the issuer of any insurance policies procured by Tenant from time to time; provided, however, that nothing herein shall be deemed or construed as requiring Tenant to obtain any such insurance policies and (ii) any subsequent requirements of any Lender, credit facilitator, or credit enhancer of Tenant's which pertain to the Tenant or Premises.

"**Land**" means and refers to the lot or parcel of land described in **Exhibit B** attached to the Lease and made a part hereof, together with the appurSubtenant rights and easements, related thereto.

"**Tenant Parties**" means and refers collectively to Tenant, its member, submembers, partners, subpartners and their respective officers, agents, servants, employees, and independent contractors.

"**Lease Commencement Date**" is defined and delineated in the Basic Lease Provisions.

"**Lease Expiration Date**" is defined and delineated in the Basic Lease Provisions.

"**Term of the Lease**" refers to the Term of the Lease set forth in Section 3.1 of the Basic Lease Provisions including any Options to Extend the Term of the Lease.

"**Legal Requirements**" means and refers collectively to any and all present and future laws, zoning regulations, restrictions, rules and ordinances, codes (including, without limitation, building codes), ordinances, orders, judgments, decrees, injunctions, rules, regulations and requirements, even if unforeseen or extraordinary, of every duly constituted Regulatory Agency and all covenants, conditions, and restrictions now of record which may be applicable to Subtenant, Tenant (with respect to the Premises) or to all or any part of or interest in the Premises, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of the Premises, even if compliance therewith (i) necessitates structural changes or improvements (including changes required to comply with the" Americans with Disabilities Act" or other similar statutes, whether now existing or enacted in the future), or (ii) results in interference with the use or enjoyment of the Premises, or (iii) requires Subtenant to carry insurance other than as required by the provisions of this Lease.

"**Lender**" refers, collectively, to any lender(s) or credit facility of Tenant.

"**Mail**" means and refers to a Notice or other correspondence sent by United States certified or registered mail, postage prepaid, return receipt requested.

"**Minimum Annual Rent**" means and refers to the Minimum Annual Rent set forth in the Basic Lease Provisions (as such amount is increased from time to time).

"**Mortgage**" means and refers to a mortgage in favor of Tenant's Lender encumbering the Premises and/or Tenant's interest in this Lease or any Ground Lease.

"**Net Award**" means and refers to the entire award payable to Tenant by reason of a Condemnation, less any expenses incurred by Tenant in collecting such award.

"**Net Proceeds**" means and refers to the entire proceeds of any insurance required to be maintained by Subtenant under this Lease payable in the event of a casualty, less any expenses incurred by Tenant in collecting such proceeds.

"**Non-Disturbance Agreement**" means and refers to an agreement between Tenant, its Lender(s), and Subtenant which provides that Subtenant's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Subtenant has not committed an Event

of Default and attorns to the obligations due to the record owner of any portion of the Premises or due to any Lender.

"**Notices**" means and refers to any and all notices, demands, statements, designations, approvals or other given by either party to the other hereunder.

"**Occupant**" means and refers to any lessee, licensee, concessionaire, franchisee or user of a portion of the Premises under a lease, sublease, license, concession or franchise or similar agreement whether with Subtenant or any other person.

"**Original Subtenant**" refers to the Subtenant originally named in the Basic Lease Provisions.

"**Option(s) to Extend the Term of the Lease**" is defined in the Basic Lease Provisions.

"**Option Decline Notice**" means and refers to a written notice from Subtenant to Tenant which: (i) is delivered in strict accordance with the notice requirements of the Lease; (ii) is received by Tenant not more than thirty-six (36) months and not less than twelve (12) months prior to the then-scheduled Lease Expiration Date; and (iii) expressly states that Subtenant has irrevocably elected to decline any and all automatic Options to Extend the Term of the Lease not previously exercised.

"**Permitted Encumbrances**" means and refers to all covenants, conditions, restrictions, reservations, liens, encroachments, easements, ground leases (including, without limitation, the Ground Lease), and other matters now or hereinafter of record or mutual agreement that encumbers the Premises.

"**Permitted Chemicals**" means and refers to commonly available household cleaners and chemicals used to maintain the Premises, in Subtenant's routine operations, and/or which are appropriate for classroom use and which are not (i) hazardous to public welfare or the Premises or any component thereof, and (ii) are not otherwise a Hazardous Material or Hazardous Substance.

"**Permitted Transfer**" refers to a transfer meeting all of the requirements set forth in Section 14.5 of the Lease.

"**Premises**" refers collectively to all of the following: (i) the Land (if applicable, subject to the Ground Lease); (ii) the Improvements; and (iii) the Equipment.

"**Regulatory Agency**" refers to any federal, state, county, city, other governmental, quasi-governmental, or regulatory agency having the right to impose or enforce any law, statute, ordinance or other governmental rule, regulation or requirement, now in force or which may hereafter be enacted or promulgated, pertaining to the Premises, Ground Lease, Tenant, Ground Lessor, Subtenant or occupant of the Premises.

"**Rent**" refers collectively to the Minimum Annual Rent, Minimum Monthly Rent and the Additional Rent.

"**Rent Payment Date**" refers to the date which is three (3) calendar days prior to the first (1st) day of each Calendar Month. For example, the Rent Payment Date for February Rent is January 29 and the Rent Payment Date for March Rent is February 26.

"**Requisition**" means and refers to any temporary condemnation or confiscation of the use or occupancy of the Premises by any Regulatory Agency, civil or military, whether pursuant to an agreement with such Regulatory Agency, in settlement of, or under threat of any such requisition or confiscation, or otherwise.

"**Restoration**" means and refers to Subtenant's restoration of the Premises as nearly as possible to its value, condition and character existing immediately prior to a Condemnation or casualty (as the case may be).

"**Restoration Award**" means and refers to a portion of the Net Award equal to the cost of Restoration.

"**Restoration Fund**" means and refers to the aggregate sum of the Net Proceeds, the Restoration Award and Subtenant Insurance Payment.

"**Security Deposit**" means and refers to the Security Deposit set forth in the Basic Lease Provisions,

"**Subject Space**" means the portion of the Premises that Subtenant proposes to Transfer; provided, however, that in the case of an Entity Transfer, the Subject Space shall mean and refer to the entire Premises.

"**Taking**" means and refers to any taking of the Premises in or by condemnation or other eminent domain proceedings pursuant to any law, general or special, or by reason of any agreement with any condemnor in settlement of, or under threat of any such condemnation or other eminent domain proceedings or by any other means, or any *de facto* condemnation (inverse or otherwise).

"**Subtenant Insurance Payment**" means and refers to an amount equal to the insurance proceeds that would have been payable if Subtenant had maintained the insurance required under the Lease.

"**Term of the Lease**" refers to the Term of the Lease set forth in the Basic Lease Provisions including any Options to Extend the Term of the Lease.

"**Trade Fixtures**" shall mean and refer to all fixtures, equipment and other items of personal property which are not attached to the Premises and are owned by Subtenant and used in the operation of the business conducted on the Premises.

"**Transfer**" or "**Transfers**" means any of the following, whether by agreement or operation of law: (i) assignment, mortgage, pledge, hypothecation, encumbrance (or the attachment of a lien to the Premises or this Lease) or otherwise transfer of this Lease or any interest hereunder, (ii) any subletting of the Premises or any part thereof; (iii) any license or concession agreements (written or otherwise) with respect to the Premises or other agreement which permits the occupancy or use of the Premises or any part thereof by any persons other than Subtenant and its employees for the Permitted Use contained herein; and/or (iv) an Entity Transfer.

"**Transfer Expenses**" means and refers to any and all Administrative Fees and reasonable professional fees (including, without limitation, in-house and outside attorneys', accountants', architects', engineers', consultants', and their staff's fees) and all costs incurred by Tenant in connection with its review, processing, and documentation of a proposed Transfer.

"**Transfer Fee**" means and refers to a fee payable to Tenant in connection with a Transfer in an amount equal to one month of the then-current Minimum Annual Rent.

"**Transfer Notice**" means and refers to Subtenant's written notice to Tenant requesting consent to a proposed Transfer. To be valid, a Transfer notice shall include all of the following: (i) the proposed effective date of the Transfer, which shall not be less than sixty (60) days nor more than one hundred eighty (180) days after the date of receipt by the Tenant of the Transfer Notice, (ii) a description of the Subject Space to be transferred, (iii) all of the terms of the proposed Transfer and the consideration

therefor, including calculation of the "Transfer Premium", in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, provided that Tenant shall have the right to require Subtenant to utilize Tenant's standard Transfer documents in connection with the documentation of such Transfer, (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, business credit and personal references and history of the proposed Transferee and any other information required by Tenant which will enable Tenant to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Subject Space, and (v) a cashiers' check made payable to Tenant in the amount of the Transfer Premium as calculated by Subtenant according to the terms of this Section. Such calculation of the Transfer Premium is subject to confirmation and adjustment, if needed, by Tenant after review of the calculation proposed by Subtenant and contained in the Transfer Notice.

"**Transfer Premium**" shall mean the sum of the following amounts:

(i) if the Transfer is made in connection with an Entity Transfer, the transfer of Subtenant's business, and/or the transfer of substantially all of Subtenant's assets, then fifty percent (50%) of the greater of the amount (A) expressed or (B) any "key" money, bonus or other consideration which by competent business valuation techniques can be determined to be equivalent to the value which could be realized on the sale, transfer, or assignment of the Lease however reflected, expressed or otherwise built into, either directly or indirectly, the consideration paid for the Subtenant's business or assets or such Entity transfer; **plus**

(ii) fifty percent (50%) of all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer which is in excess of the Rent payable by Subtenant under this Lease during the term or occupancy continuing from the Transfer date. If less than all of the Premises is transferred the Transfer Premium shall be calculated on a per rentable square foot basis; **plus**

(iii) key money, bonus money or other cash consideration paid by Transferee to Subtenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Subtenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Subtenant to Transferee in connection with such Transfer.

"**Transferee**" means and refers to any person or entity to which any Transfer is made or sought to be made by Subtenant.

"**Trustee**" means and refers to a trustee which shall be a federally insured bank or other financial institution, selected by Tenant and Subtenant and reasonably satisfactory to Lender; provided, however, that if the Premises are encumbered by a Mortgage or credit facility, such Lender, if it so desires, shall be the Trustee.

"**Work**" means and refers to Alteration or Alterations, repairs or construction work of any kind occurring on or in connection with the Premises.

# EXHIBIT B

## LEGAL DESCRIPTION OF THE LAND PORTION OF THE PREMISES

Lots One (1) through Sixteen (16) in Block Twelve (12) of Ladd's Addition to Las Vegas, as shown by map thereof on file in Book 1 of Plats, Page 2, in the office of the County Recorder, Clark County, Nevada.

Together with that portion of land as vacated by that certain Order of Vacation recorded August 25, 1942 in Book 17 of Miscellaneous Records, Page 409-411, Instrument No. 147858 of Official Records.

Also together with that portion of land as vacated by that certain Order of Vacation recorded May 12, 2004 in Book 20040512 as Instrument No. 0002469 of Official Records.

Excepting therefrom those portions as conveyed to the City of Las Vegas by Grant Deed recorded May 12, 2004 in Book 20040512 as Instrument No. 0002470 of Official Records.

Assessor's Parcel Number: 139-35-410-005, 139-35-410-021

Legal Description Documents:
147858
20040512-2469
20040512-2470

# EXHIBIT B-1

## DEPICTION/SITE PLAN OF THE PREMISES

## EXHIBIT C

## FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

_____
_____
_____
Attention: _____

---

## MEMORANDUM OF LEASE

(Short Form - Memorandum)

This Lease (Short Form Memorandum) dated as of August 6, 2014, is by and between: Chartered for Excellence Foundation, a Nevada Non-Profit Corporation, with its principal office located at 818 Gass Avenue, Las Vegas, NV 89101 ("**Subtenant**") and Quest Preparatory Academy, a Nevada State Sponsored Chartered School with its principal office located at 7495 W. Azure Drive, Las Vegas, Nevada 89130.

WITNESSETH:

1. Tenant hereby leases to Subtenant and Subtenant hereby leases from Tenant that certain premises ("**Premises**") located in the City of Las Vegas, County of Clark, State of Nevada, and legally described on Exhibit A-1 attached hereto and incorporated herein by this reference, at the rental and upon all of the terms and conditions set forth in that certain Lease dated August 6, 2014 between the parties hereto ("Lease").

2. The Premises is leased for a term of Twenty Five years ("**Term**") with two five (5) year options to extend the Term of the Lease. The Lease Commencement Date under the Lease is August 6, 2014, and the Lease Expiration Date of the Lease is July 31, 2039, subject to earlier termination, as provided in the Lease.

4. Should there be any inconsistency between the terms of this instrument and the Lease, the terms of the Lease shall prevail.

5. This Memorandum of Lease is meant to provide notice only of the existence of the Lease and shall confer no rights nor impute any obligations by Tenant or Subtenant to any party other than as contained in the Lease itself.

IN WITNESS WHEREOF, each of the parties hereto has executed this instrument as of the date first above written.

"Tenant":

Chartered for Excellence Foundation, a Nevada Non-Profit Corporation

By: _____
Kelli Miller, PhD

Its: Director

"Subtenant":

**Quest Preparatory Academy**
**a Nevada State Sponsored Charter School**

By: _____

David Olive

Its: President

# EXHIBIT D

## FORM OF SUBTENANT'S ESTOPPEL CERTIFICATE

The undersigned as Subtenant under that certain Building and Improvement Lease (the "**Lease**") made and entered into as of August 6th, 2014 by and between Chartered for Excellence Foundation, a Nevada Non-Profit Corporation ("Tenant"), and the undersigned as Subtenant, for Premises located at 1300 East Bridger Avenue, Las Vegas, Nevada, certifies as follows:

1. Attached hereto as **Exhibit A** is a true and correct copy of the Lease and all Exhibits, addendums, amendments and modifications thereto. The documents contained in **Exhibit A** represent the entire agreement between the parties as to the Premises.

2. The undersigned currently occupies the Premises described in the Lease, the Term of the Lease commenced on August 6th, 2014, and the original Term of the Lease expires on July 30th, 2039, and the undersigned has no option to terminate or cancel the Lease (other than to decline to exercise the automatic Option to Extend the Term of the Lease) or to purchase all or any part of the Premises, the Building and/or the Project.

3. Minimum Annual Rent became payable starting on August 6, 2014.

4. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in **Exhibit A**.

5. Subtenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows:

6. All monthly installments of Minimum Annual Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through _____. The current monthly installment of Minimum Annual Rent is $_____.

7. All conditions of the Lease to be performed by Tenant necessary to the enforceability of the Lease have been satisfied and Tenant is not in default thereunder. In addition, the undersigned has not delivered any notice to Tenant regarding a default by Tenant thereunder.

8. No rental has been paid more than thirty (30) days in advance and no security has been deposited with Tenant except as provided in the Lease in the current amount of $_____.

9. As of the date hereof, there are no existing defenses or offsets, or, to the undersigned's knowledge, claims or any basis for a claim, that the undersigned has against Tenant.

10. If Subtenant is a corporation or partnership or state sponsored charter school, and each individual executing this Estoppel Certificate on behalf of Subtenant hereby represents and warrants that Subtenant is a duly formed and existing entity qualified to do business in Nevada and that Subtenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Subtenant is authorized to do so.

11. There are no claims or legal actions pending against the undersigned under the laws of the United States or any state.

12. Other than in compliance with all applicable laws and incidental to the ordinary course of the use of the Premises, the undersigned has not used or stored any Hazardous Materials or Hazardous Substances in, on, or about the Premises.

13: All Subtenant improvement work to be performed by Tenant under the Lease has been completed in accordance with the Lease and has been accepted by the undersigned and all reimbursements and allowances due to the undersigned under the Lease in connection with any Subtenant improvement work have been paid in full.

The undersigned acknowledges that this Subtenant's Estoppel Certificate may be delivered to Tenant or to a credit facilitator, credit enhancer, prospective mortgagee or prospective purchaser ("Third Party"), and acknowledges that said Third Party will be relying upon the statements contained herein in making the any business arrangement regarding the Tenant and that receipt by the Third Party of this certificate is a condition of making such business arrangement.

Executed at _____, on the _____ day of _____.

"Subtenant":

Quest Preparatory Academy,
a Nevada State Sponsored Charter School

By: _____

Name: David Olive

Its: President

# EXHIBIT E

## SUBTENANT'S INSURANCE SPECIFICATIONS AND LIMITS

1. Insurance Policies. Subtenant shall procure, pay for and keep in full force and effect the following types of insurance, at its sole cost and expense, commencing on the earlier of (i) the Lease Commencement Date; or (ii) the date Subtenant is given earlier access to the Premises, and continuing during the Term of the Lease. Any insurance policy proceeds shall be used as provided in the Lease. Subtenant may satisfy the obligations contained in this Exhibit E through policies obtained and maintained by its subtenant, however, Subtenant remains liable for any ultimate failure to meet those obligations.

(a) Commercial general liability insurance covering bodily injury, personal injury, death and property damage liability with a combined single limit equal to the greater of: (i) Five Million Dollars ($5,000,000.00), which amount shall be subject to increases as Tenant may reasonably require from time to time in accordance with prudent industry risk management practices, insuring against any and all liability of the insureds with respect to the Premises or arising out of the maintenance, use or occupancy of the Premises and all areas appurSubtenant thereto, or related to the exercise of any rights of Subtenant pursuant to this Lease; or (ii) the aggregate amount of such insurance carried by Subtenant, for bodily injury, personal injury, death and property damage liability in any one occurrence. All such commercial general liability insurance shall specifically insure the performance by Subtenant of the indemnity agreement as to liability for injury to or death of persons and injury or damage to property in the Lease, and shall include, without limitation, blanket contractual, cross liability and severability of interest clauses, products/completed operations, broad form property damage, independent contractors, owned, non-owned and hired vehicles and, if alcoholic beverages are served, sold, consumed or obtained in, on, or about the Premises, liquor liability.

(b) Workers' compensation coverage as required by law, together with employer's liability coverage, with a limit of not less than One Million Dollars ($1,000,000.00) and waiver by Subtenant's insurer of any right of subrogation against Tenant by reason of any payment pursuant to such coverage.

(c) Business interruption insurance including the coverage for at least two (2) years' payments of Minimum Annual Rent, Additional Rent, and any insurance premiums during the interruption.

(d) Plate glass insurance covering all plate glass on the Premises at full replacement value.

(e) Subtenant shall carry in full force and effect casualty insurance, with extended coverage, upon the Premises specifically insuring against loss or damage due to all perils, including, but not limited to the following: fire, windstorm, cyclone, tornado, hail, flood, subsidence, explosion, riot, riot attending a strike, civil commotion, malicious mischief, vandalism, aircraft, vehicle, smoke damage, sprinkler damage, damage caused by emergency personnel and equipment, and such additional perils as are covered in an "all risk" standard insurance policy. Such insurance coverage shall cover the entire Premises including, without limitation, all Buildings, Improvements, Equipment, Trade Fixtures, landscaping, auxiliary buildings, and leasehold improvements, and personal property from time to time in, on, or about the Premises, and shall include a replacement cost endorsement in an amount not less than one hundred percent (100%) of their full replacement cost from time to time (provided, however, that Subtenant shall be entirely responsible for any portion of the full replacement cost of the Premises not

covered by insurance) including coverage for code update, building ordinance, and replacement at different location.

(f) During periods of war or national emergency, Subtenant shall maintain war risk insurance in an amount not less than the actual replacement cost of the Premises excluding, when and to the extent obtainable from the United States Government or an agency thereof at reasonable cost.

(g) Whenever Subtenant or any person claiming under Subtenant, or the contractors, agents, employees, invitees, or visitors of Subtenant shall be engaged in any Work in excess of $10,000, Subtenant shall obtain or cause its contractor to obtain completed value "all risks" builder's risk insurance, in amounts reasonably acceptable to Tenant. In addition, Subtenant and its contractor(s) shall obtain worker's compensation insurance or other adequate insurance coverage covering all persons employed in connection with the Work, whether by Subtenant, its contractors or subcontractors.

(h) Such additional and/or other insurance with respect to the Premises and in such amounts as at the time is customarily carried by prudent owners or Subtenants with respect to improvements similar in character, location and use and occupancy to the Premises.

2 Policy Form. The minimum limits of policies of insurance required of Subtenant under this Lease shall in no event limit the liability of Subtenant under this Lease. Such insurance shall name Tenant, and any other party the Tenant so specifies, as an additional insured and loss payee. All policies of insurance to be maintained by Subtenant as provided for herein shall be issued by insurance companies with general policy holder's ratings of not less than A and financial ratings of not less than X, as rated in the most current available "Best's Key Rating Guide", and which are authorized to do business in the State in which the Premises are located. All such policies shall name and be for the mutual and joint benefit and protection of Tenant, Subtenant and Tenant's Lenders as additional insureds. Executed copies of the policies of insurance or certificates and endorsements thereof shall be delivered to Tenant prior to Subtenant, its agents or employees entering the Premises for any purpose, and thereafter, executed copies of renewal policies or certificates thereof shall be delivered to Tenant within thirty (30) days prior to the expiration of the term of each policy. All policies of insurance delivered to Tenant must contain a provision that the company writing the policy will give to Tenant thirty (30) days' notice in writing in advance of any cancellation or lapse or the effective date of any reduction in the amounts of insurance. The insurance required to be maintained by Subtenant under this Lease may be subject to commercially reasonable deductibles (not to exceed $25,000). All property damage and other casualty policies shall allow for waiver of subrogation in accordance with the requirements of the Lease. All insurance policies maintained by Subtenant shall be endorsed to read that such policies are primary policies and any insurance carried by Tenant shall be noncontributing with such policies. Each policy shall also provide that any losses otherwise payable thereunder shall be payable notwithstanding (i) any act or omission of Tenant or Subtenant which might, absent such provision, result in a forfeiture of all or a part of such insurance payment, or (ii) the occupation or use of any of the Premises for purposes more hazardous than permitted by the provisions of such policy.

3. Blanket Policies. Notwithstanding anything to the contrary contained herein, Subtenant's obligations to carry insurance may be satisfied by coverage under a so-called blanket policy or policies of insurance; provided, however, Tenant and Tenant's Lender(s) or beneficiary (ies) shall be named as additional insureds (as evidenced by endorsement), the coverage afforded Tenant will not be reduced or diminished, and the requirements set forth in this Lease are otherwise satisfied by such blanket policy or policies.

4. Failure by Subtenant to Maintain Insurance. If Subtenant refuses or neglects to secure and maintain insurance policies complying with the provisions of Lease, Tenant may secure the

appropriate insurance policies and Subtenant shall pay, upon demand, the cost of same plus an Administrative Fee to Tenant as Additional Rent.

# EXHIBIT F

## STATE SPECIFIC PROVISIONS

-NONE-

# EXHIBIT G

## OPTION TO PURCHASE THE PREMISES SUBJECT TO THE GROUND LEASE

Provided the Lease is in full force and effect and Tenant is not in default under the Lease, Tenant will have the one (1) time option to purchase the Premises subject to the Ground Lease ("Option to Purchase") at any time commencing from the Lease Commencement Date until July 31, 2017 (the "Purchase Option Term").

1. Option Price. Beginning on the first day of the Purchase Option Term, Tenant shall have the option to purchase the Premises for Two Million Eight Hundred Seventeen Thousand Dollars ($2,817,000) ("Initial Option Price"). If Tenant's close of acquisition of the Property should occur on or after January 1, 2015, the Option Price shall be Three Million One Hundred Ninety Thousand Dollars ($3,190,000) ("Second Option Price"). On the first day of each month beginning in February, 2015 thereafter through the 36th month of the Lease, the Option Price shall increase by six-tenths of a percent (0.6%) per month (compounded monthly) until the close of escrow, or until the end of the Purchase Option Term at which time the option shall expire. This price shall be an absolute net price to Landlord (i.e., net of all closing and related costs).

2. Exercise of Option. The Tenant shall have the right to exercise the Option to Purchase one (1) time only by delivering written notice to Landlord no later than ninety (90) days prior to the expiration of the Purchase Option Term and strictly in accordance with the notice provisions of the Lease (the "Exercise Notice"). The Exercise Notice shall affirmatively state that Tenant exercises the Option to Purchase without condition or qualification. Within thirty (30) business days after exercise of the Option to Purchase, the parties shall execute and deliver to a mutually agreed upon escrow holder a purchase agreement mutually agreed to and signed by the parties. Tenant shall deposit the purchase funds with the escrow holder at the time and in the manner as set forth in the purchase agreement and the escrow for the purchase must close on or before ninety (90) days following the delivery of the Exercise Notice. The purchase under this Option to Purchase shall be "as is, where as" and except for warranty of title, no other assurances or representations will be made by Landlord or Ground Lessor.

3. Prepayment Penalties. In the event Tenant exercises the Option to Purchase after January 1, 2015 it shall pay any prepayment penalties to which Landlord becomes liable plus defeasance fees (both Investor and Finance Defeasance fees based on the total purchase price) as follows:

| Close of Escrow Date within Lease Month | Investor Defeasance | Finance Defeasance |
|---|---|---|
| August 6, 2014 – December 31, 2015 | 3.00% | 3.00% |
| January 1, 2016 - End of Option Period | and 3.00% reducing by 0.08% on the first day of every month thereafter, but in no event less than 1.25%. | and 3.00% reducing by 0.08% on the first day of every month thereafter, but in no event less than 1.25%. |

4. Option Not Exercised. Should Tenant not exercise the Option to Purchase at least ninety (90) days prior to the expiration of the Purchase Option Term, Tenant shall be responsible to

pay/reimburse Landlord for any and all fees and costs incurred by Landlord in connection with a refinancing of the mortgage debt, credit facility or other financing obligations associated with the Premises which may be due on or about the end of the thirty-sixth (36th) month of the Term of the Lease.

5. "Put" by Landlord. At any time after the first day of the thirtieth (30th) month of the Term, during the Purchase Option Term, and prior to Tenant's exercising the Option to Purchase, Landlord reserves the right to "put" the purchase of the Premises to Tenant and be bought out under the terms of the Option to Purchase. In the event Tenant fails to perform under the Landlord's "put", then Tenant's option to purchase shall be extinguished and Landlord shall be free to sell all or any portion of the Premises, subject to the Lease, to any third parties. In the event that Landlord sells its entire interest in the Premises to a third party (or parties) pursuant to the terms of this paragraph, then Landlord shall provide Tenant with a revised Minimum Annual Rent rate equal or greater than a 10% reduction from the then current Minimum Annual Rent rate.

# Appendix F

DocuSign Envelope ID: 3F6938FD-18E3-44A5-9503-C824EEC46288

# FACTORING AGREEMENT

by

Charter Asset Management Fund, LP.

and

Quest Preparatory Academy

Dated as of September 25, 2014

# MASTER FACTORING AGREEMENT

This Master Factoring Agreement (the "Agreement"), dated as of September 25, 2014 (the "Effective Date"), is entered into by and among Charter Asset Management Fund, LP., a Delaware limited partnership ("CAM"), and Quest Preparatory Academy DBA Quest Preparatory Academy (the "Charter School") (each, a "Party" and, collectively, the "Parties"). This Agreement is intended to and does completely supersede and replace all prior agreements between the Parties for the sale of receivables.

1. **Sale of Receivables; Collateral Security.**

a. Charter School hereby sells and assigns to CAM, and CAM purchases, the receivables listed on Schedule 1, with full power to collect and otherwise deal with such receivables as the sole and exclusive owner thereof (such receivables, collectively with all receivables previously purchased by CAM as provided in Schedule 2, and including such additional receivables as may be added from time to time via a Sale Addendum as provided in Schedule 4, the "Receivables"). Charter School agrees to provide CAM with such documentation supporting and evidencing the Receivables as CAM may from time to time request. CAM shall purchase the Receivables for the applicable Discount Price listed in Schedule 1. "Discount Price" means, with respect to a Receivable, the product of the gross face value (the "Face Value") times a discount rate (the "Discount Rate"), as set forth in Schedule 1.

b. As collateral security for all Obligations (defined below), Charter School hereby assigns and grants to CAM a continuing security interest in all of the following property, whether now owned by Charter School or hereafter acquired by Charter School or arising in Charter School's favor (all such property, the "Collateral"): (a) general intangibles including payment intangibles; (b) monies, securities and other property now or hereafter held or received by, or in transit to CAM from or for Charter School, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all of Charter School's deposits and credit balances in CAM's possession; (c) books, records and other property at any time evidencing or relating to any of the foregoing property; and (d) proceeds of any of the foregoing property including, without limitation, the proceeds of any insurance policies covering any of the foregoing property and deposit accounts. "Obligations" means all advances, debts, liabilities, obligations, covenants and duties owing by Charter School to CAM, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising. Recourse to the Collateral will not be required, and Charter School will at all times remain liable for the payment and performance of all Obligations.

c. Charter School agrees to comply in all material respects with all applicable laws in order to perfect CAM's security interest in the Collateral, and to execute such documents as CAM may require to effectuate the foregoing and to implement this Agreement. Charter School irrevocably authorizes CAM to file financing

statements, and all amendments and continuations with respect thereto, all in order to create, perfect or maintain CAM's security interest in the Collateral, and Charter School hereby ratifies and confirms any and all financing statements, amendments and continuations with respect thereto heretofore and hereafter filed by CAM pursuant to the foregoing authorization.

2. **Receivables; Advances.** CAM may from time to time, upon Charter School's request and in the sole discretion of CAM, (a) purchase additional Receivables via a separate sale addendum (each, a "Sale Addendum"); and (b) make advances to Charter School equal to the Discount Price of such additional Receivables.

3. **Payments; Penalty Rate.**

a. Generally, CAM utilizes certain distribution channels to collect payments that are made in connection with Receivables. Such distribution channels may include, without limitation (i) utilizing an "interceptor" or other third party distribution channel for payments made on a Receivable, whereby such payment would typically be routed to CAM via a state government entity acting as "authorizer"; and (ii) utilizing an ACH origination to cause payments to be debited from a charter school's account and credited to CAM's account.

b. To the extent that CAM receives a payment on a Receivable directly, or indirectly through a third party distribution channel or ACH origination or any other method, CAM shall deduct an amount equal to the sum of the Face Value plus all advances, interest and other amounts due to CAM under this Agreement (if any) and shall disburse to the Charter School thereafter, within a reasonable amount of time, the excess of such amount (if any).

c. To the extent that Charter School receives a payment on a Receivable from a third party on behalf of CAM, Charter School shall disburse to CAM within three (3) calendar days an amount equal to the sum of the Face Value plus all advances, interest and other amounts due to CAM under this Agreement (if any).

d. To the extent that Charter School owes other amounts to CAM under this Agreement that require payment to be sent by Charter School, all such payments shall be made within three calendar (3) days of receipt of an invoice or other notice from CAM stating the amount owed.

e. For the avoidance of doubt, in the event that a payment on a Receivable is less than the Face Value of the Receivable (such difference, a "Shortfall"), (i) CAM retains the right to receive payment from Charter School for the full Face Value of each Receivable; (ii) the Parties shall work in good faith to promptly enter into a Sale Addendum to provide CAM with the first position on such outstanding and unencumbered Receivables as will be at least sufficient to cause CAM to recover the

Shortfall; and (iii) notwithstanding the foregoing, CAM retains the right to seek all other remedies provided under this Agreement or at law, including without limitation CAM's rights under Section 1 with respect to the Collateral.

f. In the event that a third party or Charter School fails to make a timely disbursement or payment to CAM as described in Section 3(c) or 3(d), or a Shortfall arises as described in Section 3(e), the outstanding amount owed to CAM shall accrue interest until paid at a rate equal to the lesser of (i) the Penalty Rate set forth in Schedule 1, or (ii) the maximum non-usurious rate of interest, as in effect from time to time, which may be charged by CAM under applicable law.

4. **Administrative Fee.** At the time CAM purchases a Receivable, CAM will charge Charter School an administrative fee (the "Administrative Fee") equal to a percentage (as set forth in Schedule 1) of the gross Face Value of each Receivable. Payment of the Administrative Fee shall be due and payable by Charter School upon CAM's purchase of the applicable Receivable.

5. **Receivable Value, Charges and Expenses.** Charter School must notify CAM promptly of any matter affecting the value, enforceability or collectability of any Receivable. CAM may at any time charge Charter School the amount of: (a) all remittance expenses (including incoming wire charges and stop payment fees; and (b) actual expenses and reasonable attorneys' fees and costs incurred by CAM in collecting or attempting to collect on any Receivable.

6. **CAM's Rights as Owner.** As owner of the Receivables, CAM has the right to: (a) take any action to enforce payment of the Receivable, in the name of Charter School or CAM; (b) accept different terms of payment; (c) accept as payment in full of the Receivable an amount less than the Face Value.

7. **Charter School Representations, Warranties and Covenants.** Charter School represents, warrants and covenants as follows:

a. As to each Receivable, at the time of its creation, the Receivable is a valid, bona fide account, representing an undisputed receivable; there are no setoffs, offsets or counterclaims, genuine or otherwise, against the Receivable; the Receivable does not represent a sale to any of Charter School's subsidiaries, affiliates, directors, officers, agents, stockholders or employees, or a consignment, guaranteed sale or bill and hold transaction, or a cash on delivery sale; no agreement exists permitting any deduction or discount; Charter School is the lawful owner of the Receivable and has the right to sell and assign the same to CAM; the Receivable is free of all security interests, liens and encumbrances (including tax liens) other than those in favor of CAM, and the Receivable is payable in accordance with its terms.

b. There are no liens on any of the Collateral, if any, as of the Effective Date, and if, at any time, there is any lien that is senior to CAM's lien on the Collateral, Charter School will take all actions necessary to subordinate the lien so that the lien is junior to CAM's lien on the Collateral.

c. Charter School will not grant or suffer to exist in favor of any party other than CAM any lien upon or security interest in the Collateral, if any.

d. Charter School will maintain or cause to be maintained in good repair, working order and condition all material properties used in Charter School's business and will make or cause to be made all appropriate repairs, renewals, and replacements thereof.

e. Charter School has provided to CAM (i) a duly authorized resolution of the Charter School's board or similar governing body, substantially similar to the form of board resolution attached hereto in Schedule 3; and (ii) a certificate of incumbency or similar document authenticating the members of the Charter School's board or similar governing body.

f. Charter School is a solvent, duly formed entity in good standing under the laws of its state of formation and is qualified to operate in all states where such qualification is required; the execution, delivery and performance of this Agreement have been duly authorized and are not in contravention of any applicable law, Charter School's governing documents or any agreement or order by which Charter School is bound; and Charter School is not, to the best of Charter School's knowledge, in violation of any law, ordinance, rule, regulation, order or other requirement of any government or any instrumentality or agency thereof.

g. To the best of Charter School's knowledge, (i) there are no judgments outstanding against or affecting Charter School, its managers or affiliates or any of Charter School's property; and (ii) there are no actions, charges, claims, demands, suits, proceedings or governmental investigations now pending or threatened against Charter School or any of Charter School's property.

h. Charter School agrees that no provision in this Agreement and no course of dealing between the Parties shall be deemed to create any fiduciary duty by CAM to Charter School. Charter School agrees that neither CAM nor any of CAM's affiliates, officers, directors, shareholders, employees, attorneys or agents shall have any liability with respect to, and Charter School hereby waives, releases and agrees not to sue any of them upon, any claim for any special, indirect, incidental or consequential damages suffered or incurred by Charter School in connection with, arising out of or in any way related to this Agreement of any of the transactions contemplated by this Agreement. Charter School hereby waives, releases and agrees not to sue CAM or any of CAM's affiliates, officers, directors, shareholders, employees, attorneys or agents for punitive

damages in respect of any claim in connection with, arising out of, or in any way related to this Agreement or any of the transactions contemplated by this Agreement.

8. **Events of Default and Remedies Upon Default.**

a. The occurrence of any of the following acts or events shall constitute an event of default (each, an "Event of Default"): (i) Charter School's material breach of any representation, warranty or covenant contained in this Agreement; (ii) Charter School's failure to make timely payment of any amounts due under this Agreement; (iii) Charter School becomes insolvent or unable to meet Charter School's debts as they mature; (iv) Charter School delivers to CAM a representation, warranty, certification or other statement that is false in any material respect when made; (v) any bankruptcy proceeding, insolvency arrangement or similar proceeding is commenced by or against Charter School; (vi) Charter School suspends or discontinues its regular operations for any reason; (vii) a receiver or trustee of any kind is appointed for Charter School or any of Charter School's property; or (viii) a notice of lien, money judgment, levy, assessment, seizure, writ, or warrant of attachment is entered or filed against Charter School or with respect to the Receivables or any Collateral.

b. After the occurrence of an Event of Default, CAM shall have immediate access to any and all books and records as may pertain to the Receivables and any Collateral. With respect to such Collateral, CAM shall have all of the rights and remedies of a secured party under Article 9 of the Uniform Commercial Code. If notice of intended disposition of Collateral is required by law, it is agreed that ten (10) days notice constitutes reasonable notice. The net cash proceeds resulting from the exercise of any of the foregoing rights, after deducting all charges, costs and expenses (including reasonable attorneys' fees and costs) will be applied by CAM to the payment or satisfaction of any outstanding payments owed by Charter School under this Agreement, whether due or to become due, in such order as CAM may elect. Charter School remains liable to CAM for any deficiencies.

9. **Termination.** The term of this Agreement shall begin as of the Effective Date and continue until terminated in accordance with this Section. Either Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party. CAM may terminate this Agreement effective immediately, without prior notice, upon the occurrence of an Event of Default. Upon termination of this Agreement, all payments under this Agreement will mature and become immediately due and payable. Notwithstanding anything to the contrary in this Section, all of CAM's rights, liens and security interests under this Agreement continue and remain in full force and effect after any termination of this Agreement. Charter School agrees to continue to assign Receivables to CAM, and to remit to CAM all collections on Receivables (if applicable) until all payments owed under this Agreement have been made in full.

10. **Books and Records; Reports.** Charter School agrees to maintain and provide to CAM such books and records and reports concerning the Receivables as CAM may reasonably request from time to time, including without limitation information or documents concerning Charter School's financial condition, internal governance and attendance records. Upon reasonable request, Charter School agrees to make its books and records available to CAM for inspection and to permit CAM to make copies or extracts thereof.

11. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter herein and supersedes all prior written and oral agreements, discussions or representations between the Parties concerning the financing of receivables. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in a writing signed by the Parties.

12. **Confidentiality of Prior Agreement(s).** To the extent the Parties have entered into any prior financing agreements for the sale of receivables ("Prior Agreements"), Charter School hereby agrees to maintain the confidentiality of any Prior Agreements (meaning the agreements cannot be duplicated or distributed to any third party without CAM's express written permission) and further agrees to take reasonable measures to protect and maintain the security and confidentiality of information set forth in any Prior Agreements.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

**QUEST PREPARATORY ACADEMY DBA QUEST PREPARATORY ACADEMY**

DocuSigned by:

By: _____
E9DE108F95724C5...
David Olive
President, Governing Board

DocuSigned by:

By: Kelli Miller
9F6864C128854B8...
Kelli Miller
Director of Innovation & Grants

**CHARTER ASSET MANAGEMENT FUND, LP**

DocuSigned by:

By: Paul Im
7E046D1E4B6C4E8...
Paul N. Im
Managing Member

DocuSigned by:

By: _____
D99441EB0B5A4C5...
David H. Park
Managing Member

# SCHEDULE 1

## RECEIVABLES

| Receivable | Face Value | Admin Fee | Discount % | Discount | Amount Funded |
|---|---|---|---|---|---|
| Nov DSA Recv | $104,547.83 | $1,934.13 | 2.50% | $2,613.70 | -$100,000.00 |
| Dec DSA Recv | $106,157.11 | $1,963.91 | 3.95% | $4,193.21 | -$100,000.00 |
| Total | $210,704.94 | $3,898.04 | | $6,806.90 | -$200,000.00 |

**Penalty Rate: Up to a Maximum of 24.99% per annum**

# SCHEDULE 2

## PRIOR RECEIVABLES PURCHASED BY CAM

Not Applicable

**Penalty Rate: Up to a Maximum of 24.99% per annum**

# SCHEDULE 3

## CHARTER SCHOOL BOARD RESOLUTION

## ACTION BY UNANIMOUS WRITTEN CONSENT OF THE BOARD OF THE CHARTER SCHOOL

The undersigned, constituting all of the members of the Board of Quest Preparatory Academy DBA Quest Preparatory Academy (the "Charter School"), pursuant to applicable law and the Charter School's governing documents, hereby adopt the following recitals and resolutions by unanimous written consent, effective as of the effective date of the Factoring Agreement (as defined herein):

1. Approval of Factoring Agreement and Sale of Receivables.

**WHEREAS**, the Board has reviewed the Factoring Agreement entered into by and among Charter Asset Management Fund, LP ("CAM") and the Charter School (such agreement, the "Factoring Agreement") and has had an adequate opportunity to ask questions regarding, and investigate the nature of, the Factoring Agreement;

**WHEREAS**, after careful consideration, the Board has determined that the terms and conditions of Factoring Agreement are just and equitable and fair as to the Charter School and that it is in the best interest of the Charter School to enter into the Factoring Agreement;

**WHEREAS,** the Board deems it to be in the best interest of the Charter School to cause the Charter School to sell and assign certain of its receivables to CAM as provided in the Factoring Agreement; and

**WHEREAS,** the Board deems it to be in the best interest of the Charter School to permit the Charter School to sell and assign additional receivables in the future by entering into a Sale Addendum (as such term is defined in the Factoring Agreement) with respect to each such additional sale.

**NOW, THEREFORE, BE IT RESOLVED**, that the Factoring Agreement is hereby approved;

**RESOLVED FURTHER**, that the Charter School may sell and assign certain of its receivables to CAM as provided in the Factoring Agreement;

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**RESOLVED FURTHER,** that the Charter School may sell and assign additional receivables in the future by entering into a Sale Addendum with respect to each such additional sale;

**RESOLVED FURTHER,** that the officers and managers of the Charter School are hereby authorized and directed to cause the Charter School to enter into the Factoring Agreement and to execute all other documents necessary to effect the Factoring Agreement, and to take all actions necessary and appropriate to perform the Charter School's obligations thereunder;

**RESOLVED FURTHER,** that the officers and managers of the Charter School are hereby authorized to cause the Charter School to sell and assign additional receivables in the future by entering into a Sale Addendum with respect to each such additional sale and to execute all other documents necessary to effect a Sale Addendum, and to take all actions necessary and appropriate to perform the Charter School's obligations thereunder; and

2. Enabling Power.

**RESOLVED**, that the officers and managers of the Charter School be, and each of them hereby is, authorized, directed and empowered to execute any applications, certificates, agreements or any other instruments or documents or amendments or supplements to such documents, or to do, or cause to be done, any and all other acts and things as such officers and managers, and each of them may, in their discretion, deem necessary or advisable and appropriate to carry out the purposes of the foregoing resolutions.

This written consent may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same written consent.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the undersigned have executed this Action by Unanimous Written Consent as of the date first set forth above.

**QUEST PREPARATORY ACADEMY DBA QUEST PREPARATORY ACADEMY**

DocuSigned by:

E9DE108F95724C5...

David Olive
President, Governing Board

DocuSigned by:

9F6864C128854B8...

Kelli Miller
Director of Innovation & Grants

## SCHEDULE 4

## AUTHORIZATION FOR DIRECT PAYMENT VIA ACH (ACH DEBIT)

Direct Payment via ACH is the transfer of funds from the Charter School's account for the purpose of making payments for receivables due to Charter Asset Management Fund, LP.

As board director and/or officer of Quest Preparatory Academy DBA Quest Preparatory Academy and signer on all factoring, funding, and receivable sales agreements between Quest Preparatory Academy and Charter Asset Management Fund, LP., I authorize Charter Asset Management Fund, LP. to electronically debit the account of Quest Preparatory Academy as follows:

Bank / Institution: Bank of Nevada
Account: Quest Preparatory Academy
Account Number: 7500727909
Routing Number: 122401778

I understand that the amount and frequency of debits are pursuant to all executed receivables sales, funding, and factoring agreements executed between Quest Preparatory Academy and Charter Asset Management Fund, LP. for the 2014-2015 fiscal year.

I understand that this authorization will remain in full force and effect until all financial obligations of Quest Preparatory Academy to Charter Asset Management Fund, LP. are fulfilled pursuant to all executed agreements.

**QUEST PREPARATORY ACADEMY DBA QUEST PREPARATORY ACADEMY**

DocuSigned by:
E9DE108F95724C5...
David Olive
President, Governing Board

DocuSigned by:
Kelli Miller
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Kelli Miller
Director of Innovation & Grants

# Appendix G

# FACTORING AGREEMENT

by

Charter Asset Management Fund, LP.

and

Quest Preparatory Academy

Dated as of October 7, 2014

DocuSign Envelope ID: 3AA1C614-46CE-4AFE-983A-105B8E10E805

# MASTER FACTORING AGREEMENT

This Master Factoring Agreement (the "Agreement"), dated as of October 7, 2014 (the "Effective Date"), is entered into by and among Charter Asset Management Fund, LP., a Delaware limited partnership ("CAM"), and Quest Preparatory Academy DBA Quest Preparatory Academy (the "Charter School") (each, a "Party" and, collectively, the "Parties").

1. **Sale of Receivables; Collateral Security.**

a. Charter School hereby sells and assigns to CAM, and CAM purchases, the receivables listed on Schedule 1, with full power to collect and otherwise deal with such receivables as the sole and exclusive owner thereof (such receivables, collectively with all receivables previously purchased by CAM as provided in Schedule 2, and including such additional receivables as may be added from time to time via a Sale Addendum as provided in Schedule 4, the "Receivables"). Charter School agrees to provide CAM with such documentation supporting and evidencing the Receivables as CAM may from time to time request. CAM shall purchase the Receivables for the applicable Discount Price listed in Schedule 1. "Discount Price" means, with respect to a Receivable, the product of the gross face value (the "Face Value") times a discount rate (the "Discount Rate"), as set forth in Schedule 1.

b. As collateral security for all Obligations (defined below), Charter School hereby assigns and grants to CAM a continuing security interest in all of the following property, whether now owned by Charter School or hereafter acquired by Charter School or arising in Charter School's favor (all such property, the "Collateral"): (a) general intangibles including payment intangibles; (b) monies, securities and other property now or hereafter held or received by, or in transit to CAM from or for Charter School, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all of Charter School's deposits and credit balances in CAM's possession; (c) books, records and other property at any time evidencing or relating to any of the foregoing property; and (d) proceeds of any of the foregoing property including, without limitation, the proceeds of any insurance policies covering any of the foregoing property and deposit accounts. "Obligations" means all advances, debts, liabilities, obligations, covenants and duties owing by Charter School to CAM, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising. Recourse to the Collateral will not be required, and Charter School will at all times remain liable for the payment and performance of all Obligations.

c. Charter School agrees to comply in all material respects with all applicable laws in order to perfect CAM's security interest in the Collateral, and to execute such documents as CAM may require to effectuate the foregoing and to implement this Agreement. Charter School irrevocably authorizes CAM to file financing

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statements, and all amendments and continuations with respect thereto, all in order to create, perfect or maintain CAM's security interest in the Collateral, and Charter School hereby ratifies and confirms any and all financing statements, amendments and continuations with respect thereto heretofore and hereafter filed by CAM pursuant to the foregoing authorization.

2. **Receivables; Advances.** CAM may from time to time, upon Charter School's request and in the sole discretion of CAM, (a) purchase additional Receivables via a separate sale addendum (each, a "Sale Addendum"); and (b) make advances to Charter School equal to the Discount Price of such additional Receivables.

3. **Payments; Penalty Rate.**

a. Generally, CAM utilizes certain distribution channels to collect payments that are made in connection with Receivables. Such distribution channels may include, without limitation (i) utilizing an "interceptor" or other third party distribution channel for payments made on a Receivable, whereby such payment would typically be routed to CAM via a state government entity acting as "authorizer"; and (ii) utilizing an ACH origination to cause payments to be debited from a charter school's account and credited to CAM's account.

b. To the extent that CAM receives a payment on a Receivable directly, or indirectly through a third party distribution channel or ACH origination or any other method, CAM shall deduct an amount equal to the sum of the Face Value plus all advances, interest and other amounts due to CAM under this Agreement (if any) and shall disburse to the Charter School thereafter, within a reasonable amount of time, the excess of such amount (if any).

c. To the extent that Charter School receives a payment on a Receivable from a third party on behalf of CAM, Charter School shall disburse to CAM within three (3) calendar days an amount equal to the sum of the Face Value plus all advances, interest and other amounts due to CAM under this Agreement (if any).

d. To the extent that Charter School owes other amounts to CAM under this Agreement that require payment to be sent by Charter School, all such payments shall be made within three calendar (3) days of receipt of an invoice or other notice from CAM stating the amount owed.

e. For the avoidance of doubt, in the event that a payment on a Receivable is less than the Face Value of the Receivable (such difference, a "Shortfall"), (i) CAM retains the right to receive payment from Charter School for the full Face Value of each Receivable; (ii) the Parties shall work in good faith to promptly enter into a Sale Addendum to provide CAM with the first position on such outstanding and unencumbered Receivables as will be at least sufficient to cause CAM to recover the

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Shortfall; and (iii) notwithstanding the foregoing, CAM retains the right to seek all other remedies provided under this Agreement or at law, including without limitation CAM's rights under Section 1 with respect to the Collateral.

f. In the event that a third party or Charter School fails to make a timely disbursement or payment to CAM as described in Section 3(c) or 3(d), or a Shortfall arises as described in Section 3(e), the outstanding amount owed to CAM shall accrue interest until paid at a rate equal to the lesser of (i) the Penalty Rate set forth in Schedule 1, or (ii) the maximum non-usurious rate of interest, as in effect from time to time, which may be charged by CAM under applicable law.

4. **Administrative Fee.** At the time CAM purchases a Receivable, CAM will charge Charter School an administrative fee (the "Administrative Fee") equal to a percentage (as set forth in Schedule 1) of the gross Face Value of each Receivable. Payment of the Administrative Fee shall be due and payable by Charter School upon CAM's purchase of the applicable Receivable.

5. **Receivable Value, Charges and Expenses.** Charter School must notify CAM promptly of any matter affecting the value, enforceability or collectability of any Receivable. CAM may at any time charge Charter School the amount of: (a) all remittance expenses (including incoming wire charges and stop payment fees; and (b) actual expenses and reasonable attorneys' fees and costs incurred by CAM in collecting or attempting to collect on any Receivable.

6. **CAM's Rights as Owner.** As owner of the Receivables, CAM has the right to: (a) take any action to enforce payment of the Receivable, in the name of Charter School or CAM; (b) accept different terms of payment; (c) accept as payment in full of the Receivable an amount less than the Face Value.

7. **Charter School Representations, Warranties and Covenants.** Charter School represents, warrants and covenants as follows:

a. As to each Receivable, at the time of its creation, the Receivable is a valid, bona fide account, representing an undisputed receivable; there are no setoffs, offsets or counterclaims, genuine or otherwise, against the Receivable; the Receivable does not represent a sale to any of Charter School's subsidiaries, affiliates, directors, officers, agents, stockholders or employees, or a consignment, guaranteed sale or bill and hold transaction, or a cash on delivery sale; no agreement exists permitting any deduction or discount; Charter School is the lawful owner of the Receivable and has the right to sell and assign the same to CAM; the Receivable is free of all security interests, liens and encumbrances (including tax liens) other than those in favor of CAM, and the Receivable is payable in accordance with its terms.

b. There are no liens on any of the Collateral, if any, as of the Effective Date, and if, at any time, there is any lien that is senior to CAM's lien on the Collateral, Charter School will take all actions necessary to subordinate the lien so that the lien is junior to CAM's lien on the Collateral.

c. Charter School will not grant or suffer to exist in favor of any party other than CAM any lien upon or security interest in the Collateral, if any.

d. Charter School will maintain or cause to be maintained in good repair, working order and condition all material properties used in Charter School's business and will make or cause to be made all appropriate repairs, renewals, and replacements thereof.

e. Charter School has provided to CAM (i) a duly authorized resolution of the Charter School's board or similar governing body, substantially similar to the form of board resolution attached hereto in Schedule 3; and (ii) a certificate of incumbency or similar document authenticating the members of the Charter School's board or similar governing body.

f. Charter School is a solvent, duly formed entity in good standing under the laws of its state of formation and is qualified to operate in all states where such qualification is required; the execution, delivery and performance of this Agreement have been duly authorized and are not in contravention of any applicable law, Charter School's governing documents or any agreement or order by which Charter School is bound; and Charter School is not, to the best of Charter School's knowledge, in violation of any law, ordinance, rule, regulation, order or other requirement of any government or any instrumentality or agency thereof.

g. To the best of Charter School's knowledge, (i) there are no judgments outstanding against or affecting Charter School, its managers or affiliates or any of Charter School's property; and (ii) there are no actions, charges, claims, demands, suits, proceedings or governmental investigations now pending or threatened against Charter School or any of Charter School's property.

h. Charter School agrees that no provision in this Agreement and no course of dealing between the Parties shall be deemed to create any fiduciary duty by CAM to Charter School. Charter School agrees that neither CAM nor any of CAM's affiliates, officers, directors, shareholders, employees, attorneys or agents shall have any liability with respect to, and Charter School hereby waives, releases and agrees not to sue any of them upon, any claim for any special, indirect, incidental or consequential damages suffered or incurred by Charter School in connection with, arising out of or in any way related to this Agreement of any of the transactions contemplated by this Agreement. Charter School hereby waives, releases and agrees not to sue CAM or any of CAM's affiliates, officers, directors, shareholders, employees, attorneys or agents for punitive

damages in respect of any claim in connection with, arising out of, or in any way related to this Agreement or any of the transactions contemplated by this Agreement.

8. **Events of Default and Remedies Upon Default.**

a. The occurrence of any of the following acts or events shall constitute an event of default (each, an "Event of Default"): (i) Charter School's material breach of any representation, warranty or covenant contained in this Agreement; (ii) Charter School's failure to make timely payment of any amounts due under this Agreement; (iii) Charter School becomes insolvent or unable to meet Charter School's debts as they mature; (iv) Charter School delivers to CAM a representation, warranty, certification or other statement that is false in any material respect when made; (v) any bankruptcy proceeding, insolvency arrangement or similar proceeding is commenced by or against Charter School; (vi) Charter School suspends or discontinues its regular operations for any reason; (vii) a receiver or trustee of any kind is appointed for Charter School or any of Charter School's property; or (viii) a notice of lien, money judgment, levy, assessment, seizure, writ, or warrant of attachment is entered or filed against Charter School or with respect to the Receivables or any Collateral.

b. After the occurrence of an Event of Default, CAM shall have immediate access to any and all books and records as may pertain to the Receivables and any Collateral. With respect to such Collateral, CAM shall have all of the rights and remedies of a secured party under Article 9 of the Uniform Commercial Code. If notice of intended disposition of Collateral is required by law, it is agreed that ten (10) days notice constitutes reasonable notice. The net cash proceeds resulting from the exercise of any of the foregoing rights, after deducting all charges, costs and expenses (including reasonable attorneys' fees and costs) will be applied by CAM to the payment or satisfaction of any outstanding payments owed by Charter School under this Agreement, whether due or to become due, in such order as CAM may elect. Charter School remains liable to CAM for any deficiencies.

9. **Termination.** The term of this Agreement shall begin as of the Effective Date and continue until terminated in accordance with this Section. Either Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party. CAM may terminate this Agreement effective immediately, without prior notice, upon the occurrence of an Event of Default. Upon termination of this Agreement, all payments under this Agreement will mature and become immediately due and payable. Notwithstanding anything to the contrary in this Section, all of CAM's rights, liens and security interests under this Agreement continue and remain in full force and effect after any termination of this Agreement. Charter School agrees to continue to assign Receivables to CAM, and to remit to CAM all collections on Receivables (if applicable) until all payments owed under this Agreement have been made in full.

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10. **Books and Records; Reports.** Charter School agrees to maintain and provide to CAM such books and records and reports concerning the Receivables as CAM may reasonably request from time to time, including without limitation information or documents concerning Charter School's financial condition, internal governance and attendance records. Upon reasonable request, Charter School agrees to make its books and records available to CAM for inspection and to permit CAM to make copies or extracts thereof.

11. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter herein and supersedes all prior written and oral agreements, discussions or representations between the Parties concerning the financing of receivables. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in a writing signed by the Parties.

12. **Confidentiality of Prior Agreement(s).** To the extent the Parties have entered into any prior financing agreements for the sale of receivables ("Prior Agreements"), Charter School hereby agrees to maintain the confidentiality of any Prior Agreements (meaning the agreements cannot be duplicated or distributed to any third party without CAM's express written permission) and further agrees to take reasonable measures to protect and maintain the security and confidentiality of information set forth in any Prior Agreements.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

**QUEST PREPARATORY ACADEMY DBA QUEST PREPARATORY ACADEMY**

DocuSigned by:

By: _____
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David Olive
President, Governing Board

DocuSigned by:

By: _____
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Kelli Miller
Director of Innovation & Grants

**CHARTER ASSET MANAGEMENT FUND, LP**

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By: _____
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Paul N. Im
Managing Member

DocuSigned by:

By: _____
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David H. Park
Managing Member

receivables factored in addition to DSA receivables identified in WP VI.04

# SCHEDULE 1

## RECEIVABLES

| Receivable | Face Value | Admin Fee | Discount % | Discount | Amount Funded |
|---|---|---|---|---|---|
| Nov DSA Recv | $51,975.05 | VIII.03 - WSRP Going Concern Analysis Tab | | | -$50,000.00 |
| Dec DSA Recv | $52,826.20 | $977.28 | 3.50% | $1,848.92 | -$50,000.00 |
| Jan DSA Recv | $160,944.21 | $2,977.47 | 4.95% | $7,966.74 | -$150,000.00 |
| Feb DSA Recv | $162,689.80 | $3,009.76 | 5.95% | $9,680.04 | -$150,000.00 |
| Total | $428,435.26 | $7,926.05 | | $20,509.21 | -$400,000.00 |

**Penalty Rate: Up to a Maximum of 24.99% per annum**

## DEFINITIONS

| Receivable | Definition |
|---|---|
| In-Lieu | Local Property Taxes |
| LCFF | Local Control Funding Formula |
| EPA | Education Protection Account |
| SpED | Special Education |
| SB 740 | Senate Bill 740 Facilities Fund |
| ADA | Average Daily Attendance |

# SCHEDULE 2

## PRIOR RECEIVABLES PURCHASED BY CAM

VIII.03 - WSRP Going Concern Analysis Tab

| Receivable | Face Value | Admin Fee | Discount % | Discount | Amount Funded |
|---|---|---|---|---|---|
| Nov DSA Recv | $104,547.83 | $1,934.13 | 2.50% | $2,613.70 | -$100,000.00 |
| Dec DSA Recv | $106,157.11 | $1,963.91 | 3.95% | $4,193.21 | -$100,000.00 |
| Total | $210,704.94 | $3,898.04 | | $6,806.90 | -$200,000.00 |

**Penalty Rate: Up to a Maximum of 24.99% per annum**

## DEFINITIONS

| Receivable | Definition |
|---|---|
| In-Lieu | Local Property Taxes |
| LCFF | Local Control Funding Formula |
| EPA | Education Protection Account |
| SpED | Special Education |
| SB 740 | Senate Bill 740 Facilities Fund |
| GPBG | General Purpose Block Grant |
| CBG/ EIA | Categorical Block Grant / Economic Impact Aid |

# SCHEDULE 3

## CHARTER SCHOOL BOARD RESOLUTION

## ACTION BY UNANIMOUS WRITTEN CONSENT OF THE BOARD OF THE CHARTER SCHOOL

The undersigned, constituting all of the members of the Board of Quest Preparatory Academy DBA Quest Preparatory Academy (the "Charter School"), pursuant to applicable law and the Charter School's governing documents, hereby adopt the following recitals and resolutions by unanimous written consent, effective as of the effective date of the Factoring Agreement (as defined herein):

1. Approval of Factoring Agreement and Sale of Receivables.

**WHEREAS**, the Board has reviewed the Factoring Agreement entered into by and among Charter Asset Management Fund, LP ("CAM") and the Charter School (such agreement, the "Factoring Agreement") and has had an adequate opportunity to ask questions regarding, and investigate the nature of, the Factoring Agreement;

**WHEREAS**, after careful consideration, the Board has determined that the terms and conditions of Factoring Agreement are just and equitable and fair as to the Charter School and that it is in the best interest of the Charter School to enter into the Factoring Agreement;

**WHEREAS,** the Board deems it to be in the best interest of the Charter School to cause the Charter School to sell and assign certain of its receivables to CAM as provided in the Factoring Agreement; and

**WHEREAS,** the Board deems it to be in the best interest of the Charter School to permit the Charter School to sell and assign additional receivables in the future by entering into a Sale Addendum (as such term is defined in the Factoring Agreement) with respect to each such additional sale.

**NOW, THEREFORE, BE IT RESOLVED**, that the Factoring Agreement is hereby approved;

**RESOLVED FURTHER**, that the Charter School may sell and assign certain of its receivables to CAM as provided in the Factoring Agreement;

**RESOLVED FURTHER,** that the Charter School may sell and assign additional receivables in the future by entering into a Sale Addendum with respect to each such additional sale;

**RESOLVED FURTHER,** that the officers and managers of the Charter School are hereby authorized and directed to cause the Charter School to enter into the Factoring Agreement and to execute all other documents necessary to effect the Factoring Agreement, and to take all actions necessary and appropriate to perform the Charter School's obligations thereunder;

**RESOLVED FURTHER,** that the officers and managers of the Charter School are hereby authorized to cause the Charter School to sell and assign additional receivables in the future by entering into a Sale Addendum with respect to each such additional sale and to execute all other documents necessary to effect a Sale Addendum, and to take all actions necessary and appropriate to perform the Charter School's obligations thereunder; and

2. Enabling Power.

**RESOLVED**, that the officers and managers of the Charter School be, and each of them hereby is, authorized, directed and empowered to execute any applications, certificates, agreements or any other instruments or documents or amendments or supplements to such documents, or to do, or cause to be done, any and all other acts and things as such officers and managers, and each of them may, in their discretion, deem necessary or advisable and appropriate to carry out the purposes of the foregoing resolutions.

This written consent may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same written consent.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the undersigned have executed this Action by Unanimous Written Consent as of the date first set forth above.

**QUEST PREPARATORY ACADEMY DBA QUEST PREPARATORY ACADEMY**

DocuSigned by:

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David Olive
President, Governing Board

DocuSigned by:

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Kelli Miller
Director of Innovation & Grants

## SCHEDULE 4

## AUTHORIZATION FOR DIRECT PAYMENT VIA ACH (ACH DEBIT)

Direct Payment via ACH is the transfer of funds from the Charter School's account for the purpose of making payments for receivables due to Charter Asset Management Fund, LP.

As board director and/or officer of Quest Preparatory Academy DBA Quest Preparatory Academy and signer on all factoring, funding, and receivable sales agreements between Quest Preparatory Academy and Charter Asset Management Fund, LP., I authorize Charter Asset Management Fund, LP. to electronically debit the account of Quest Preparatory Academy as follows:

Bank / Institution: Bank of Nevada
Account: Quest Preparatory Academy
Account Number: 7500727909
Routing Number: 122401778

I understand that the amount and frequency of debits are pursuant to all executed receivables sales, funding, and factoring agreements executed between Quest Preparatory Academy and Charter Asset Management Fund, LP. for the 2014-2015 fiscal year.

I understand that this authorization will remain in full force and effect until all financial obligations of Quest Preparatory Academy to Charter Asset Management Fund, LP. are fulfilled pursuant to all executed agreements.

**QUEST PREPARATORY ACADEMY DBA QUEST PREPARATORY ACADEMY**

DocuSigned by:
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David Olive
President, Governing Board

DocuSigned by:
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Kelli Miller
Director of Innovation & Grants

# Appendix H

# SETTLEMENT AGREEMENT, RELEASE AND DISCHARGE

**THIS SETTLEMENT AGREEMENT, RELEASE AND DISCHARGE ("Settlement Agreement")**, effective as of the date fully executed by both parties ("Effective Date"), by and between **Sprint Solutions, Inc.**, a Delaware corporation ("Sprint"), with offices located at 12502 Sunrise Valley Drive, MailStop: VARESA0208, Reston, VA 20196, and **Quest Preparatory Academy,** a Nevada state funded Charter school ("Quest"), with offices located at 7495 W. Azure Drive, #236, Las Vegas, NV 89130. Quest and Sprint are sometimes referred to herein individually as a "Party" or collectively as the "Parties."

## BACKGROUND

A. Pursuant to a Sprint E-Rate Quote executed 3/21/2014 ("Quote"), Sprint provided Quest with approximately 2000 lines of service and related products (including approximately 2000 laptops) under the Master Service Agreement (MiCTA No. 146AN-TISA2013-0416) between MiCTA and Sprint, signed by MiCTA on September 30, 2014 and by Sprint on October 3, 2014, as amended, ("MiCTA Contract").

B. Pursuant to an In-Building Solutions Agreement and Addendum #1 between the Parties, both executed July 9, 2014 (collectively, the "IBS Agreement"), Sprint provided and installed certain in-building coverage solutions equipment. The Quote, the MiCTA Contract and the IBS Agreement are collectively referred to herein as the "Contract Documents."

C. Quest alleges that Sprint has not provided products and services in accordance with the Contract Documents. Sprint disputes Quest's allegations and alleges that Quest has not paid Sprint for the products and services provided by Sprint to Quest pursuant to the Contract Documents. The Parties' respective allegations and claims under the Contract Documents are the "Dispute."

D. Quest and Sprint vigorously dispute the claims and defenses, both legal and factual, applicable to the Dispute and the Contract Documents. Based upon Quest and Sprint's desire to reach a complete and final settlement of all outstanding claims, payments and credits regarding the products and services, and to effect a release of Sprint and Quest from all existing and future liabilities in connection with the Dispute and the Contract Documents, the Parties have agreed to compromise and settle all claims that the Parties purport to have against each other with regards to the Dispute and Contract Documents as detailed in the settlement structure outlined below.

In consideration of the mutual covenants, promises and other good and valuable consideration stated herein, the Parties agree as follows:

## AGREEMENT

### I. Settlement Payments, Termination of Contract Documents and Ownership of Products/Equipment.

(A) Settlement Payments. Quest shall pay Sprint $390,000.00 ("Settlement Amount") in accordance with the installment payment schedule set forth below. The Settlement Amount represents $338,000.000 for services previously provided by Sprint and $52,000.00 for equipment previously provided by Sprint. Payments shall be made by Quest as follows:

i. The $338,000.00 shall be paid to Sprint in 13 equal monthly installments of $26,000. The first installment payment shall be delivered to Sprint on or

before September 1, 2015, with the 12 subsequent monthly installment payments being made each month thereafter on or before the 1st day of each such month.

ii. The $52,000 shall be paid in 2 equal installments of $26,000. The first payment shall be due within 10 days of the full execution of this Settlement Agreement. The second payment shall be due on or before August 1, 2015.

(B) Termination of Contract Documents. The Parties acknowledge and agree that both: (i) Quest's account and services under the Quote and MiCTA Contract, and (ii) the IBS Agreement, were terminated effective as of 11:59 pm on May 26, 2015 without further liability to either party except as specifically set forth in this Settlement Agreement.

(C) Ownership of Products/Equipment. The Parties agree and acknowledge and agree that:

i. Quest shall retain ownership of all wireless products provided by Sprint as of May 26, 2015 pursuant to the Quote and the MiCTA Contract (including the laptops); and

ii. Sprint shall retain ownership of the signal source and transmitting IBS Equipment (excluding cabling) installed by Sprint pursuant to the IBS Agreement, and Quest agrees to reasonably cooperate with Sprint to facilitate the removal of such IBS Equipment from Quest's premises within 60 days of the Effective Date of this Settlement Agreement.

(D) The parties expressly acknowledge and agree that Quest's timely payment of the foregoing Settlement Amount to Sprint is a material term of this Settlement Agreement, and that Quest's failure to comply with said obligation shall automatically void this entire Settlement Agreement without further action by either party.

**II. Additional Terms and Conditions.**

A. Quest's Release and Discharge of Sprint. **CONDITIONED UPON EXECUTION AND DELIVERY OF THIS SETTLEMENT AGREEMENT BY BOTH PARTIES, QUEST, FOR AND ON BEHALF OF ITSELF, ITS ELECTED AND APPOINTED OFFICIALS, SUCCESSORS AND ASSIGNS, AGENTS, SERVANTS AND EMPLOYEES (COLLECTIVELY, "QUEST AND RELATED PARTIES"), RELEASES, RELINQUISHES, AND FOREVER DISCHARGES SPRINT, ITS SUCCESSORS, PARENTS, SUBSIDIARIES, AFFILIATES, ASSIGNS, AGENTS, PRINCIPALS, DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS (COLLECTIVELY, "SPRINT AND RELATED PARTIES"), FROM ANY AND ALL CLAIMS, COUNTER-CLAIMS, CROSS-CLAIMS, DEMANDS, LIABILITIES, LOSSES, COSTS, FEES, EXPENSES, DAMAGES OF ANY KIND, AND CAUSES OF ACTION, AT LAW AND IN EQUITY, KNOWN AND UNKNOWN, FOR ANY AMOUNTS WHATSOEVER, AND HOWSOEVER DENOMINATED, THAT QUEST AND RELATED PARTIES MAY MAKE AGAINST SPRINT IN CONNECTION WITH THE DISPUTE AND THE CONTRACT DOCUMENTS BASED UPON AN ACTION OR OMISSION OCCURRING PRIOR TO THE EFFECTIVE DATE OF THIS SETTLEMENT AGREEMENT; SAVE AND EXCEPT THIS RELEASE SHALL NOT OPERATE TO RELEASE OR DISCHARGE ANY OBLIGATIONS OR AGREEMENTS BETWEEN THE PARTIES CREATED BY THIS SETTLEMENT AGREEMENT.**

The allocations of the Settlement Amount and the agreements outlined in Section I above are intended to represent a full and final accounting, settlement, release and discharge of all claims and costs that were raised or might have been raised by Quest in connection with the Dispute and the Contract Documents.

B. Sprint's Release and Discharge of Quest. **CONDITIONED UPON (i) EXECUTION AND DELIVERY OF THIS SETTLEMENT AGREEMENT BY BOTH PARTIES, AND (ii) QUEST'S TENDER OF THE SETTLEMENT AMOUNT TO SPRINT IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS SETTLEMENT AGREEMENT, SPRINT, ACTING ON BEHALF OF SPRINT AND RELATED PARTIES, RELEASES, RELINQUISHES, AND FOREVER DISCHARGES QUEST AND RELATED PARTIES FROM ANY AND ALL CLAIMS, COUNTER-CLAIMS, CROSS-CLAIMS, DEMANDS, LIABILITIES, LOSSES, COSTS, FEES, EXPENSES, DAMAGES OF ANY, AND CAUSES OF ACTION, AT LAW AND IN EQUITY, KNOWN AND UNKNOWN, FOR ANY AMOUNTS WHATSOEVER, AND HOWSOEVER DENOMINATED, THAT SPRINT AND RELATED PARTIES MAY MAKE AGAINST QUEST AND RELATED PARTIES IN CONNECTION WITH THE DISPUTE AND CONTRACT DOCUMENTS BASED UPON ANY ACTION OR OMISSION OCCURRING PRIOR TO THE EFFECTIVE DATE; SAVE AND EXCEPT THIS RELEASE SHALL NOT OPERATE TO RELEASE ANY OBLIGATIONS OR AGREEMENTS BETWEEN THE PARTIES CREATED BY THIS SETTLEMENT AGREEMENT.**

The allocations of the Settlement Amount and the agreements outlined in Section I above are intended to represent a full and final accounting, settlement, release and discharge of all claims and costs that were raised or might have been raised by Sprint in connection with the Dispute and the Contract Documents.

C. Compromise of Disputed Claims. This Settlement Agreement is made in compromise of a good faith dispute and will not be construed as a penalty or an admission of liability, each Party having denied and continuing to deny any liability whatsoever. Neither Party will be required by the terms of this Settlement Agreement to make any admission of liability or wrongdoing or to make any payment of any fine or penalty (and no part of the agreed Settlement in Section I is a fine or penalty), and no payment will be required of Sprint and Related Parties or Quest and Related Parties of costs or attorneys' fees.

D. Additional documents and Acts. Each Party will execute or procure and deliver to the other Party such additional documents and will perform such acts as will reasonably be necessary to evidence or effectuate the terms of this Settlement Agreement.

E. Confidentiality. This Settlement Agreement will remain confidential and its terms (as well as any negotiations or discussions between the parties related to the Settlement Agreement) will not be disclosed by either Party, or by their respective employees, and agents for any reason except (i) as may be required in connection with the preparation and submission of financial documents, (ii) when compelled or otherwise required by law, statute, subpoena, warrant, or orders issued by a court of competent jurisdiction or any regulatory agency, or (iii) to enforce the Parties' rights under this Settlement Agreement.

F. Headings. The section headings used in this Settlement Agreement are for the convenience of reference only and do not in any way limit or amplify the terms and provisions hereof.

G. Governing law. This Settlement Agreement will be construed in accordance with the laws of the State of Nevada, without regard to its choice of law principles.

H. Authorized execution. Quest and Sprint represent that prior to signing this Settlement Agreement each Party has read it, understood the Settlement Agreement's terms and conditions, was given the opportunity to consult counsel and has voluntarily signed it. Those individuals signing below on behalf of Quest and Sprint, by so signing, represent that they are authorized and empowered to execute this Settlement Agreement.

I. Notices. Notices required under this Settlement Agreement must be submitted in writing to the party's address below:

Sprint
Attn: Legal Dept. – Public Sector
12502 Sunrise Valley Drive
MailStop: VARESA0208
Reston, VA 20196

Quest Preparatory Academy
ATTN: Debra Roberson
7495 W. Azure Drive
#236
Las Vegas, NV 89130

With a copy to:
T. James Truman, Esq.
3654 North Rancho Drive
Las Vegas, Nevada 89130

J. Entire Agreement. This Settlement Agreement represents a single, integrated written agreement that expresses the entire agreement of the Parties with respect to the matters contained herein and supersedes all negotiations, prior discussions, and preliminary agreements, either oral or written. The Parties disclaim reliance on any and all prior agreements, representations, negotiations, and understandings, oral or written, express or implied. Any modification of this Settlement Agreement will be effective only if it is in writing and signed by authorized representatives of both Parties.

K. Binding Effect. This Settlement Agreement will be binding upon and will inure to the benefit of Quest and Related Parties and to Sprint and Related Parties.

L. Interpretation of Agreement. In interpreting this Settlement Agreement, each of the Parties expressly agrees that the Settlement Agreement was prepared jointly by the Parties and that no ambiguity will be resolved against any Party on the basis that it was responsible, or primarily responsible, for having drafted the Settlement Agreement. Each Party acknowledges that it did not execute this Settlement Agreement under duress and was represented by competent counsel in connection with this Settlement Agreement.

IN WITNESS WHEREOF, Sprint and Quest have executed this Settlement Agreement by their respective duly authorized representatives as of the date last below written.

**Sprint Solutions, Inc.**

By: _____

Name: Brian S. Miller

Title: Regional Vice President

Date: July 9, 2015

**Quest Preparatory Academy**

By: _____

Name: Timothy Zeidler

Title: President

Date: July 13, 2015

# Appendix I

TEQlease EDUCATION FINANCE

# Master Lease Agreement # 412

| LESSOR: | TEQLEASE, INC.<br>23801 Calabasas Road, Suite 101<br>Calabasas, CA 91302 |
|---|---|

| LESSEE: | QUEST ACADEMY PREPARATORY EDUCATION<br>7495 W. Azure Drive, Suite 250<br>Las Vegas, NV 89149 |
|---|---|

**We have written this Agreement in plain language because we want you to understand its terms. Please read your copy of this Agreement carefully and feel free to ask us any questions you may have. The word "Agreement" means this master lease agreement. The word "Schedule" means any lease schedule under this Agreement which has been signed by you and accepted by us. The word "Lease" means this Agreement and a Schedule. The words "you" and "your" mean the Lessee named above. The words "we", "us", and "our" refer to the Lessor named above. Other capitalized terms not otherwise defined in this Agreement are described in the Schedule.**

TERMS AND CONDITIONS

1. LEASE. Subject to the terms of this Agreement, you agree to lease from us the Equipment described in each Schedule when we accept the Schedule at our office in California. ONCE WE ACCEPT THE SCHEDULE, YOU MAY NOT CANCEL IT DURING THE FULL LEASE TERM. Each Schedule will incorporate the terms of this Agreement and will constitute a separate Lease. You agree to be bound by all the terms of the Lease.

2. DELIVERY AND ACCEPTANCE OF EQUIPMENT. Acceptance of the Equipment occurs upon delivery. When you receive the Equipment, you agree to inspect it and to verify by telephone or in writing such information as we may require. Delivery and installation costs are your responsibility. If you signed a purchase contract for the Equipment, by signing the Schedule you assign your rights, but none of your obligations under it, to us.

3. RENT. You agree to pay us Rent (plus applicable taxes) in the amount and frequency stated on each Schedule. If your Rent payments are due in Advance, your first Rent payment is due on the first day of the month following the date you accept the Equipment under the Schedule. We will advise you as to (a) the due date of each Rent payment, and (b) the address to which you must send your payments. Rent is due whether or not you receive an invoice from us. You will pay us any required Advance Rent or Security Deposit when you sign each Schedule. Security Deposits or Advance Rents may be commingled and do not earn interest. Provided you are not in default, we may apply your Security Deposit to the last Rent payment or to your purchase option or we may refund the Security Deposit to you when the Lease Term expires and the Equipment is returned in accordance with Section 16. If we collect more than one payment as Advance Rent, we may apply such Advance Rent to the last Rent payment. You authorize us to change the Rent by not more than 15% due to changes in the Equipment configuration which may occur prior to our acceptance of the Schedule. Restrictive endorsements on checks you send to us will not reduce your obligations to us. **Unless a proper exemption certificate is provided, applicable sales and use taxes will be added to the Rent. Lessee may prepay its obligations hereunder at any time, without penalty, upon payment of a prepayment amount reasonably determined by Lessor.**

4. UNCONDITIONAL OBLIGATION. YOU AGREE THAT YOU ARE UNCONDITIONALLY OBLIGATED TO PAY ALL RENT AND ANY OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR THE FULL LEASE TERM EVEN IF THE EQUIPMENT IS DAMAGED OR DESTROYED, IF IT IS DEFECTIVE OR IF YOU HAVE TEMPORARY OR PERMANENT LOSS OF ITS USE. YOU ARE NOT ENTITLED TO REDUCE OR SET-OFF AGAINST RENT OR OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR ANY REASON WHATSOEVER.

5. DISCLAIMER OF WARRANTIES. THE EQUIPMENT IS BEING LEASED TO YOU IN AS-IS CONDITION. NO INDIVIDUAL IS AUTHORIZED TO CHANGE ANY PROVISION OF THE LEASE. YOU AGREE THAT YOU HAVE SELECTED THE EQUIPMENT BASED UPON YOUR OWN JUDGMENT. YOU HAVE NOT RELIED ON ANY STATEMENTS WE OR OUR EMPLOYEES HAVE MADE. EXCEPT AS PROVIDED IN OUR WRITTEN PRODUCT WARRANTIES, WE HAVE NOT MADE AND DO NOT MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, DESIGN, CONDITION, DURABILITY, OPERATION, QUALITY OF MATERIALS OR WORKMANSHIP, OR COMPLIANCE WITH SPECIFICATIONS OR APPLICABLE LAW. You are aware that we are the Equipment manufacturer and you will contact us for a description of your warranty rights. You agree to settle any dispute you may have regarding performance of the Equipment directly with us and not make any claim against any new owner described in Section 19. You agree to continue to pay such new owner all Rent and other payments even if you have a dispute with us regarding the Equipment.

6. TITLE AND SECURITY INTEREST If the Purchase Option amount stated on the Schedule is $1.00 (a "Dollar Purchase Option"), you shall have title to the Equipment immediately upon delivery and shall be deemed to be the owner of the Equipment as long as you are not in default under the Lease. In the event of a default, title to the equipment shall revert to us free and clear of any rights or interests you may have in the Equipment. If the Purchase Option amount stated on the Schedule is other than $1.00 (a "Stated Purchase Option"), the Equipment is and shall remain our sole property during the Lease Term. Unless you are in default under the Lease, you shall have the right to peacefully possess and use the Equipment during the Lease Term. To secure all of your obligations to us under the Lease you hereby grant us a security interest in (a) the Equipment to the extent of your interests in the Equipment, (b) anything attached or added to the Equipment at any time, (c) any money or property from the sale of the Equipment, and (d) any money from an insurance claim if the Equipment is lost or damaged. You agree that the security interest will not be affected if this Agreement or any Schedule is changed in any way. You hereby appoint us (or our agent) as your true lawful attorney-in-fact to affix your signature to UCC financing statements prepared and filed on your behalf by us (or our agent) with the same force and effect as if you had signed such financing statements. If we request, you agree to sign financing statements in order for us to publicly record our security interest. This Agreement or a copy of this Agreement shall be sufficient as a financing statement and may be filed as such.

7. USE, MAINTENANCE AND REPAIR. You will not move the Equipment from the Equipment Location without our advance written consent. You will give us reasonable access to the Equipment Location so that we can check the Equipment's existence, condition and proper maintenance. You will use the Equipment in the manner for which it was intended, as required by all applicable manuals and instructions and keep it eligible for any manufacturer's certification and/or standard, full service maintenance contract. At your own cost and expense, you will keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted. All replacement parts and repairs will become our property. You will not make any permanent alterations to the Equipment.

8. TAXES. You agree that you will pay us, when invoiced, all taxes (including any sales, use and personal property taxes), fines, interest and penalties relating to each Lease and the Equipment (excluding taxes based on our net income). If the Lease includes a Dollar Purchase Option, you agree to file any required personal property tax returns and, if we ask, you will provide us with proof of payment. We do not have to contest any tax assessments. For Leases with a Stated Purchase Option, (a) you will, at our discretion, either (1) reimburse us annually for all personal property taxes which we may be required to pay as the owner of the Equipment, or (2) remit to us each month our estimate of the monthly equivalent of the annual personal property taxes to be assessed, (b) you agree to pay us for the loss of any income tax benefits caused by your actions, and (c) should an increase in the federal corporate income tax rate or a change in the "accelerated cost recovery deductions" allowed by the Internal Revenue Code of 1986, as amended, adversely affect our after-tax earnings or cash flows, you agree that we may increase the Rent and other amounts due under each Lease to offset any such adverse effect.

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT (INCLUDING THOSE ON THE REVERSE SIDE) AND ANY SCHEDULES SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF A LEASE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF EACH LEASE. EACH LEASE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.

YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS AGREEMENT, ANY SCHEDULES AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS AGREEMENT WAS SIGNED. THIS AGREEMENT IS NOT BINDING UPON US OR EFFECTIVE UNLESS AND UNTIL WE EXECUTE THIS AGREEMENT. THIS AGREEMENT AND ALL SCHEDULES WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.

| *ACCEPTED BY:* | | *PROPOSED BY:* | |
|---|---|---|---|
| LESSOR: | TEQLEASE, INC. | LESSEE: | QUEST ACADEMY PREPARATORY EDUCATION |
| BY: | | BY: | [signature] |
| TITLE: | | NAME & TITLE: | David Olive, Governing Board President |
| DATE: | | DATE: | 5-22-14 FED. TAX ID#: 20-4359631 |

ADDITIONAL TERMS ON REVERSE

9. **INDEMNITY.** We are not responsible for any injuries, damages, penalties, claims or losses, including legal expenses, incurred by you or any other person caused by the transportation, installation selection, purchase, lease, ownership, possession, modification, maintenance, condition, operation, use, return or disposition of the Equipment. You agree to reimburse us for and defend us against any claims for such losses, damages, penalties, claims, injuries, or expenses. This indemnity continues even after the Lease has expired for acts or omissions which occurred during the Lease Term.

10. **IDENTIFICATION.** You authorize us to insert or correct missing information on the Lease, including your official name, serial numbers and any other information describing the Equipment. We will send you copies of such changes. You will attach to the Equipment any name plates or stickers we provide you.

11. **LOSS OR DAMAGE.** You are responsible for any loss of the Equipment from any cause at all, whether or not insured, from the time the Equipment is shipped to you until it is returned to us. If any item of Equipment is lost, stolen or damaged, you will promptly notify us of such event. Then, at our option, you will either (a) repair the Equipment so that it is in good condition and working order, eligible for any manufacturer's certification, or (b) pay us an amount equal to the Net Book Value (as defined in Section 14) of the lost, stolen or damaged Equipment. If you have satisfied your obligations under this Section 11, we will forward to you any insurance proceeds which we receive for lost, damaged, or destroyed Equipment. If you are in default, we will apply any insurance proceeds we receive to reduce your obligations under Section 14 of this Agreement.

12. **INSURANCE.** You agree to (a) keep the Equipment fully insured against loss, naming us as loss payee, and (b) obtain a general public liability insurance policy covering both personal injury and property damage in amounts not less than we may tell you, naming us as additional insured, until you have met all of your obligations under the Lease. We are under no duty to tell you if your insurance coverage is adequate. The policies shall state that we are to be notified of any proposed cancellation at least 15 days prior to the date set for cancellation. Upon our request, you agree to provide us with certificates or other evidence of insurance acceptable to us. If you do not provide us with evidence of proper insurance within 10 days of our request or we receive notice of policy cancellation, we may (but we are not obligated to) obtain insurance on our interest in the Equipment at your expense. You will pay all insurance premiums and related charges.

13. **DEFAULT.** You will be in default under this Agreement if any of the following happens: (a) we do not receive any Rent or other payment due hereunder within 10 days after its due date, or (b) you or any of your guarantors become insolvent, are liquidated or dissolved, merge, transfer substantially all stock or assets, stop doing business, or assign rights or property for the benefit of creditors, or (c) a petition is filed by or against you or any of your guarantors under any bankruptcy or insolvency law, or (d) (for individuals) you or any of your guarantors die, or have a guardian appointed, or (e) any representation you have made in this Agreement shall prove to have been false or misleading in any material respect, or (f) you or any of your guarantors break any promise made in this Agreement or any guaranty and do not correct the default within 10 days after we send you written notice of the default, or (g) you default on any other agreement between you and us (or our affiliates).

14. **REMEDIES.** Upon the occurrence of a default, we may, in our sole discretion, do any or all of the following: (a) provide written notice to you of default; (b) as liquidated damages for loss of a bargain and not as a penalty, declare due and payable, the present value of (i) any and all amounts which may be then due and payable by you to us under the Lease, plus (ii) all Rent payments remaining through the end of the Lease Term, plus (iii) the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term, all discounted at the higher of 6% or the lowest rate allowed by law (collectively, the "Net Book Value"). We have the right to require you to make the Equipment available to us for repossession during reasonable business hours or we may repossess the Equipment, so long as we do not breach the peace in doing so, or we may use legal process in compliance with applicable law pursuant to court order to have the Equipment repossessed. You will not make any claims against us or the Equipment for trespass, damage or any other reason. If we take possession of the Equipment we may (a) sell or lease the Equipment at public or private sale or lease, and/or (b) exercise such other rights as may be allowed by applicable law. Although you agree that we have no obligation to sell the Equipment, if we do sell the Equipment, we will reduce the Net Book Value by the amounts we receive. You will immediately pay us the remaining Net Book Value. If the Lease includes a Dollar Purchase Option and we receive more than the Net Book Value plus our costs of sale, we will give you the excess. You agree (a) that we only need to give you 10 days advance notice of any sale and no notice of advertising, (b) to pay all of the costs we incur to enforce our rights against you, including attorney's fees, and (c) that we will retain all of our rights against you even if we do not choose to enforce them at the time of your default.

15. **YOUR OPTIONS AT END OF LEASE.** Provided you are not in default, upon expiration of a Lease with a Dollar Purchase Option, you shall purchase the Equipment at the end of the Lease Term for such amount and we will release any security interest we may have in the Equipment. Provided you are not in default, upon expiration of a Lease with a Stated Purchase Option, you shall have the option to (a) return the Equipment in accordance with Section 16, or (b) on 60 days advance written notice to us, purchase all but not less than all of the Equipment for the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term. If the Purchase Option is stated as a percentage, the Purchase Option amount shall be the product of such percentage multiplied by the Equipment Cost (as such term is defined in Section 21). If you elect to purchase the Equipment, upon payment of the agreed upon price including all sales taxes and other applicable taxes, we will transfer the Equipment to you **AS IS-WHERE IS, WITHOUT ANY REPRESENTATION OR WARRANTY.** If you fail to exercise the purchase option (a) you will continue to pay Rent until the Equipment is received and accepted by us pursuant to Section 16, and (b) all of the terms of the Lease shall continue to apply.

16. **RETURN OF EQUIPMENT.** If (a) a default occurs, (b) you do not purchase the Equipment at the end of the Lease Term, or (c) you do not extend the Lease Term, you will immediately return the Equipment to any location(s) and aboard any carrier(s) we may designate in the continental United States. The Equipment must be properly packed for shipment in accordance with the manufacturer's recommendations or specifications, freight prepaid and insured, maintained in accordance with Section 7, and in "Average Saleable Condition." "Average Saleable Condition" means that all of the Equipment is immediately available for use by a third party buyer, user or lessee, other than yourself, without the need for any repair or refurbishment. All Equipment must be free of markings. You will pay us for any missing or defective parts or accessories. You will continue to pay Rent until the Equipment is received and accepted by us.

17. **YOUR REPRESENTATIONS.** You state for our benefit that as of the date of each Lease (a) you have the lawful power and authority to enter into the Lease, (b) the individuals signing this Agreement and the Schedule have been duly authorized to do so on your behalf, (c) by entering into the Lease you will not violate any law or other agreement to which you are a party, (d) you are not aware of anything that will have a material negative effect on your ability to satisfy your obligations under the Lease, and (e) all financial information you have provided us is true and accurate and provides a good representation of your financial condition.

18. **YOUR PROMISES.** In addition to the other provisions of this Agreement, you agree that during the term of each Lease (a) you will promptly notify us in writing if you move your principal place of business, if you change the name of your business, or if there is a change in your ownership, (b) you will provide to us such financial information as we may reasonably request from time to time, and (c) you will take any action we reasonably request to protect our rights in the Equipment and to meet your obligations under the Lease.

19. **ASSIGNMENT. YOU WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE, SUB-LEASE OR PART WITH POSSESSION OF THE EQUIPMENT, OR FILE OR PERMIT A LIEN TO BE FILED AGAINST THE EQUIPMENT.** You will not attach any of the Equipment to any real estate. Upon our reasonable request and at your cost, you will get each person with an interest in the real estate where the Equipment is located to waive any rights they may have in the Equipment. We may, without notifying you, sell, assign, or transfer any Lease and our interests in the Equipment. You agree that if we do so, the new owner (and any subsequent owners) will have the same rights and benefits that we now have, but will not have to perform any of our obligations. You agree that the rights of the new owner will not be subject to any claims, defenses, or set-offs that you may have against us. However, any such assignment, sale, or transfer of the Lease or the Equipment will not relieve us of any obligations we may have to you under the Lease. If you are given notice of a new owner of a Lease, you agree to respond to any requests about the Lease and, if directed by us, to pay the new owner all Rent and other amounts due under the Lease.

20. **COLLECTION EXPENSES, OVERDUE PAYMENT, TERMINATION.** You agree that we can, but do not have to, take on your behalf any action which you fail to take as required by the Lease, and our expenses will be in addition to of the Rent which you owe us. We may charge you a late charge to cover our collection costs equal to the higher of 10% of any late payment or $22, but not more than the highest legal rate. To the extent allowed by law, any late payment or non-payment of any past due amount will accrue interest at the lower of 18% per annum or the highest legal rate from the due date until paid. If you so request and we permit the early termination of the Lease, you agree to pay a fee for such privilege.

21. **AGREED LEASE RATE FACTOR.** You understand that the Equipment may be purchased for cash (the "Equipment Cost") or it may be leased. By signing the Lease, you acknowledge that you have chosen to lease the Equipment from us for the Lease Term and that you have agreed to pay Rent. If the Lease provides for a Dollar Purchase Option, each payment of Rent includes a principal amount based on the Equipment Cost and a lease charge rate. The Equipment Cost is the Rent divided by the Lease Rate Factor. The lease charge portion of the Rent can be determined by applying to the Equipment Cost the rate which will amortize the Equipment Cost down to the Purchase Option amount (which may be a fixed amount or a percentage of the Equipment Cost) by payment of the Rent. The lease charge rate can also be calculated using the Equipment Cost as the present value, the Purchase Option amount as the future value, the Rent as the payment and the Lease Term as the term. The lease charge rate may be higher than the actual annual interest rate because of the amortization of certain costs, expenses and fees incurred by us. **We both intend to comply with all applicable laws. If it is determined that your payments under the Lease result in an interest payment higher than allowed by applicable law, then any excess interest collected will be applied to the repayment of principal and interest will be charged at the highest rate allowed by law. In no event will we charge or receive or will you pay any amounts in excess of the legal amount.**

22. **MISCELLANEOUS.** The Lease contains our entire agreement and supersedes any conflicting provision of any equipment purchase order or any other agreement. **TIME IS OF THE ESSENCE IN THE LEASE.** If a court finds any provision of this Agreement or any Schedule to be unenforceable, the remaining terms of the Lease shall remain in effect. **EACH LEASE IS A "FINANCE LEASE" AS DEFINED IN ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE.** You authorize us (or our agent) to (a) obtain credit reports, (b) make such other credit inquiries as we may deem necessary, and (c) furnish payment history information to credit reporting agencies. To the extent permitted by law, we may charge you a fee of $43.25 to cover our documentation and investigation costs.

23. **NOTICES.** All of your written notices to us must be sent by certified mail or recognized overnight delivery service, postage prepaid, to us at our address stated in this Agreement, or by facsimile transmission to our facsimile telephone number, with oral confirmation of receipt. All of our notices to you may be sent first class mail, postage prepaid, to your address stated in this Agreement. At any time after this Agreement is signed, you or we may change an address or facsimile telephone number by giving notice to the other of the change.

24. **WAIVERS. WE AND YOU EACH AGREE TO WAIVE AND TO TAKE ALL REQUIRED STEPS TO WAIVE ALL RIGHTS TO A JURY TRIAL.** To the extent you are permitted by applicable law, you waive all rights and remedies conferred upon a lessee by Article 2A (Sections 508-522) of the Uniform Commercial Code including but not limited to your rights to: (a) cancel or repudiate this Agreement; (b) reject or revoke acceptance of the Equipment; (c) recover damages from us for any breach of warranty or for any other reason; and (d) grant a security interest in any Equipment in your possession. To the extent you are permitted by applicable law, you waive any rights you now or later may have under any statute or otherwise which require us to sell or otherwise use any Equipment to reduce our damages, which require us to provide you with notice of default, intent to accelerate amounts becoming due or acceleration of amounts becoming due, or which may otherwise limit or modify any of our rights or remedies. **ANY ACTION YOU TAKE AGAINST US FOR ANY DEFAULT, INCLUDING BREACH OF WARRANTY OR INDEMNITY, MUST BE STARTED WITHIN ONE (1) YEAR AFTER THE EVENT WHICH CAUSED IT.** We will not be liable for specific performance of any Lease or for any losses, damages, delay or failure to deliver Equipment.

Lessee's Initials DCOSIT

TEQlease EDUCATION FINANCE

# Schedule # 001
# Master Lease Agreement # 412

| LESSOR: | LESSEE: |
|---|---|
| TEQLEASE, INC.<br>23801 Calabasas Road, Suite 101<br>Calabasas, CA 91302 | QUEST ACADEMY PREPARATORY EDUCATION<br>7495 W. Azure Drive, Suite 250<br>Las Vegas, NV 89149 |

**EQUIPMENT SCHEDULE**

School furniture and other equipment. The final Rent amount will be amended, if necessary, as determined by the final Equipment cost, by Lessor using the rate factor stated below. The Equipment configuration will be determined by invoices presented from Hertz Furniture Systems, which will be described in the Certificate of Acceptance. The Equipment consists of the following:

| Part # | Description | Qty | Price | Extended Price |
|---|---|---|---|---|
| | Per Hertz Furniture Quote No. 542997-000 for Quest Academy Preparatory Education for Azure Campus | 1 | $344,928.59 | 344,928.59 |
| | Per Hertz Furniture Quote No. 542990-000 for Quest Academy Preparatory Education for Bridger Campus | 1 | $284,095.05 | 284,095.05 |
| | | | Total | $629,023.64 |

**TRANSACTION TERMS:**

| | | | |
|---|---|---|---|
| RENT: | $178,377.89 per Year (Plus applicable taxes) | Equipment Cost: | $629,023.64 |
| PAYABLE: | Yearly in Advance | Discount: | $0.00 |
| ADVANCE RENT: | N/A | e-Waste: | $0.00 |
| ADVANCE RENTAL/ DOWN PAYMENT | N/A | Taxes: | $0.00 |
| | | TOTAL: | $629,023.64 |

EQUIPMENT PURCHASE OPTION at END of LEASE:

X $1.00 ___ Fair Market Value. ___ Other:

LEASE TERM: 4 Years (first rental due May 15, 2014, and annually thereafter on May 15.)

EQUIPMENT LOCATIONS: (IF DIFFERENT FROM LESSEE ADDRESS ABOVE)
#1 - Azure Campus at 7845 W. Azure Drive, Las Vegas NV 89149
#2 - Bridger Campus at 1300 E. Bridger, Las Vegas NV 89101

LESSEE CONTACT/TELEPHONE: Karen Zeh, 702-515-4021 ext 2251, K.Zeh@QuestAcademyLV.com

THIS SCHEDULE INCORPORATES ALL OF THE TERMS AND CONDITIONS IN THE MASTER LEASE AGREEMENT BETWEEN LESSOR AND LESSEE IDENTIFIED ABOVE.

**IMPORTANT:**

READ BEFORE SIGNING. THE TERMS OF THIS SCHEDULE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. THIS SCHEDULE INCORPORATES THE TERMS OF THE ABOVE IDENTIFIED MASTER LEASE AGREEMENT. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN SCHEDULE OR THE MASTER LEASE AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS SCHEDULE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS SCHEDULE. THIS SCHEDULE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.

YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS SCHEDULE AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS SCHEDULE WAS SIGNED. THIS SCHEDULE IS NOT BINDING UPON US OR EFFECTIVE UNTIL AND UNLESS WE EXECUTE THIS SCHEDULE. THIS SCHEDULE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.

| *ACCEPTED BY:* | *PROPOSED BY:* |
|---|---|
| LESSOR: TEQLEASE, INC. | LESSEE: QUEST ACADEMY PREPARATORY EDUCATION |
| BY: | BY: [signature] |
| NAME & TITLE: | NAME & TITLE: David Olive, Governing Board President |
| DATE: | DATE: 5-22-14 FED. TAX ID#: 20-4359631 |

TEQlease EDUCATION FINANCE

# Master Lease Agreement # 412

| LESSOR: | TEQLEASE, INC.<br>23801 Calabasas Road, Suite 101<br>Calabasas, CA 91302 |
|---|---|

| LESSEE: | QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL<br>7495 W. Azure Drive, Suite 250<br>Las Vegas, NV 89149 |
|---|---|

**We have written this Agreement in plain language because we want you to understand its terms. Please read your copy of this Agreement carefully and feel free to ask us any questions you may have. The word "Agreement" means this master lease agreement. The word "Schedule" means any lease schedule under this Agreement which has been signed by you and accepted by us. The word "Lease" means this Agreement and a Schedule. The words "you" and "your" mean the Lessee named above. The words "we", "us", and "our" refer to the Lessor named above. Other capitalized terms not otherwise defined in this Agreement are described in the Schedule.**

TERMS AND CONDITIONS

1. **LEASE.** Subject to the terms of this Agreement, you agree to lease from us the Equipment described in each Schedule when we accept the Schedule at our office in California. **ONCE WE ACCEPT THE SCHEDULE, YOU MAY NOT CANCEL IT DURING THE FULL LEASE TERM.** Each Schedule will incorporate the terms of this Agreement and will constitute a separate Lease. You agree to be bound by all the terms of the Lease.

2. **DELIVERY AND ACCEPTANCE OF EQUIPMENT.** Acceptance of the Equipment occurs upon delivery. When you receive the Equipment, you agree to inspect it and to verify by telephone or in writing such information as we may require. Delivery and installation costs are your responsibility. If you signed a purchase contract for the Equipment, by signing the Schedule you assign your rights, but none of your obligations under it, to us.

3. **RENT.** You agree to pay us Rent (plus applicable taxes) in the amount and frequency stated on each Schedule. If your Rent payments are due in Advance, your first Rent payment is due on the first day of the month following the date you accept the Equipment under the Schedule. We will advise you as to (a) the due date of each Rent payment, and (b) the address to which you must send your payments. Rent is due whether or not you receive an invoice from us. You will pay us any required Advance Rent or Security Deposit when you sign each Schedule. Security Deposits or Advance Rents may be commingled and do not earn interest. Provided you are not in default, we may apply your Security Deposit to the last Rent payment or to your purchase option or we may refund the Security Deposit to you when the Lease Term expires and the Equipment is returned in accordance with Section 16. If we collect more than one payment as Advance Rent, we may apply such Advance Rent to the last Rent payment. You authorize us to change the Rent by not more than 15% due to changes in the Equipment configuration which may occur prior to our acceptance of the Schedule. Restrictive endorsements on checks you send to us will not reduce your obligations to us. **Unless a proper exemption certificate is provided, applicable sales and use taxes will be added to the Rent. Lessee may prepay its obligations hereunder at any time, without penalty, upon payment of a prepayment amount reasonably determined by Lessor.**

4. **UNCONDITIONAL OBLIGATION. YOU AGREE THAT YOU ARE UNCONDITIONALLY OBLIGATED TO PAY ALL RENT AND ANY OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR THE FULL LEASE TERM EVEN IF THE EQUIPMENT IS DAMAGED OR DESTROYED, IF IT IS DEFECTIVE OR IF YOU HAVE TEMPORARY OR PERMANENT LOSS OF ITS USE. YOU ARE NOT ENTITLED TO REDUCE OR SET-OFF AGAINST RENT OR OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR ANY REASON WHATSOEVER.**

5. **DISCLAIMER OF WARRANTIES. THE EQUIPMENT IS BEING LEASED TO YOU IN AS-IS CONDITION. NO INDIVIDUAL IS AUTHORIZED TO CHANGE ANY PROVISION OF THE LEASE. YOU AGREE THAT YOU HAVE SELECTED THE EQUIPMENT BASED UPON YOUR OWN JUDGMENT. YOU HAVE NOT RELIED ON ANY STATEMENTS WE OR OUR EMPLOYEES HAVE MADE. EXCEPT AS PROVIDED IN OUR WRITTEN PRODUCT WARRANTIES, WE HAVE NOT MADE AND DO NOT MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, DESIGN, CONDITION, DURABILITY, OPERATION, QUALITY OF MATERIALS OR WORKMANSHIP, OR COMPLIANCE WITH SPECIFICATIONS OR APPLICABLE LAW.** You are aware that we are the Equipment manufacturer and you will contact us for a description of your warranty rights. You agree to settle any dispute you may have regarding performance of the Equipment directly with us and not make any claim against any new owner described in Section 19. You agree to continue to pay such new owner all Rent and other payments even if you have a dispute with us regarding the Equipment.

6. **TITLE AND SECURITY INTEREST** If the Purchase Option amount stated on the Schedule is $1.00 (a "Dollar Purchase Option"), you shall have title to the Equipment immediately upon delivery and shall be deemed to be the owner of the Equipment as long as you are not in default under the Lease. In the event of a default, title to the equipment shall revert to us free and clear of any rights or interests you may have in the Equipment. If the Purchase Option amount stated on the Schedule is other than $1.00 (a "Stated Purchase Option"), the Equipment is and shall remain our sole property during the Lease Term. Unless you are in default under the Lease, you shall have the right to peacefully possess and use the Equipment during the Lease Term. To secure all of your obligations to us under the Lease you hereby grant us a security interest in (a) the Equipment to the extent of your interests in the Equipment, (b) anything attached or added to the Equipment at any time, (c) any money or property from the sale of the Equipment, and (d) any money from an insurance claim if the Equipment is lost or damaged. You agree that the security interest will not be affected if this Agreement or any Schedule is changed in any way. You hereby appoint us (or our agent) as your true lawful attorney-in-fact to affix your signature to UCC financing statements prepared and filed on your behalf by us (or our agent) with the same force and effect as if you had signed such financing statements. If we request, you agree to sign financing statements in order for us to publicly record our security interest. This Agreement or a copy of this Agreement shall be sufficient as a financing statement and may be filed as such.

7. **USE, MAINTENANCE AND REPAIR.** You will not move the Equipment from the Equipment Location without our advance written consent. You will give us reasonable access to the Equipment Location so that we can check the Equipment's existence, condition and proper maintenance. You will use the Equipment in the manner for which it was intended, as required by all applicable manuals and instructions and keep it eligible for any manufacturer's certification and/or standard, full service maintenance contract. At your own cost and expense, you will keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted. All replacement parts and repairs will become our property. You will not make any permanent alterations to the Equipment.

8. **TAXES.** You agree that you will pay us, when invoiced, all taxes (including any sales, use and personal property taxes), fines, interest and penalties relating to each Lease and the Equipment (excluding taxes based on our net income). If the Lease includes a Dollar Purchase Option, you agree to file any required personal property tax returns and, if we ask, you will provide us with proof of payment. We do not have to contest any tax assessments. For Leases with a Stated Purchase Option, (a) you will, at our discretion, either (1) reimburse us annually for all personal property taxes which we may be required to pay as the owner of the Equipment, or (2) remit to us each month our estimate of the monthly equivalent of the annual personal property taxes to be assessed, (b) you agree to pay us for the loss of any income tax benefits caused by your actions, and (c) should an increase in the federal corporate income tax rate or a change in the "accelerated cost recovery deductions" allowed by the Internal Revenue Code of 1986, as amended, adversely affect our after-tax earnings or cash flows, you agree that we may increase the Rent and other amounts due under each Lease to offset any such adverse effect.

**IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT (INCLUDING THOSE ON THE REVERSE SIDE) AND ANY SCHEDULES SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF A LEASE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF EACH LEASE. EACH LEASE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.**

**YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS AGREEMENT, ANY SCHEDULES AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS AGREEMENT WAS SIGNED. THIS AGREEMENT IS NOT BINDING UPON US OR EFFECTIVE UNLESS AND UNTIL WE EXECUTE THIS AGREEMENT. THIS AGREEMENT AND ALL SCHEDULES WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.**

| *ACCEPTED BY:* | | *PROPOSED BY:* | |
|---|---|---|---|
| **LESSOR:** | **TEQLEASE, INC.** | **LESSEE:** | **QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL** |
| BY: | | BY: | |
| TITLE: | Michael P. Lockwood, President | NAME & TITLE: | David Olive, Governing Board President |
| DATE: | May 18, 2015 | DATE: | May 18, 2015 FED. TAX ID#: 20-4359631 |

**ADDITIONAL TERMS ON REVERSE**

**9. INDEMNITY.** We are not responsible for any injuries, damages, penalties, claims or losses, including legal expenses, incurred by you or any other person caused by the transportation, installation selection, purchase, lease, ownership, possession, modification, maintenance, condition, operation, use, return or disposition of the Equipment. You agree to reimburse us for and defend us against any claims for such losses, damages, penalties, claims, injuries, or expenses. This indemnity continues even after the Lease has expired for acts or omissions which occurred during the Lease Term.

**10. IDENTIFICATION.** You authorize us to insert or correct missing information on the Lease, including your official name, serial numbers and any other information describing the Equipment. We will send you copies of such changes. You will attach to the Equipment any name plates or stickers we provide you.

**11. LOSS OR DAMAGE.** You are responsible for any loss of the Equipment from any cause at all, whether or not insured, from the time the Equipment is shipped to you until it is returned to us. If any item of Equipment is lost, stolen or damaged, you will promptly notify us of such event. Then, at our option, you will either (a) repair the Equipment so that it is in good condition and working order, eligible for any manufacturer's certification, or (b) pay us an amount equal to the Net Book Value (as defined in Section 14) of the lost, stolen or damaged Equipment. If you have satisfied your obligations under this Section 11, we will forward to you any insurance proceeds which we receive for lost, damaged, or destroyed Equipment. If you are in default, we will apply any insurance proceeds we receive to reduce your obligations under Section 14 of this Agreement.

**12. INSURANCE.** You agree to (a) keep the Equipment fully insured against loss, naming us as loss payee, and (b) obtain a general public liability insurance policy covering both personal injury and property damage in amounts not less than we may tell you, naming us as additional insured, until you have met all of your obligations under the Lease. We are under no duty to tell you if your insurance coverage is adequate. The policies shall state that we are to be notified of any proposed cancellation at least 15 days prior to the date set for cancellation. Upon our request, you agree to provide us with certificates or other evidence of insurance acceptable to us. If you do not provide us with evidence of proper insurance within 10 days of our request or we receive notice of policy cancellation, we may (but we are not obligated to) obtain insurance on our interest in the Equipment at your expense. You will pay all insurance premiums and related charges.

**13. DEFAULT.** You will be in default under this Agreement if any of the following happens: (a) we do not receive any Rent or other payment due hereunder within 10 days after its due date, or (b) you or any of your guarantors become insolvent, are liquidated or dissolved, merge, transfer substantially all stock or assets, stop doing business, or assign rights or property for the benefit of creditors, or (c) a petition is filed by or against you or any of your guarantors under any bankruptcy or insolvency law, or (d) (for individuals) you or any of your guarantors die, or have a guardian appointed, or (e) any representation you have made in this Agreement shall prove to have been false or misleading in any material respect, or (f) you or any of your guarantors break any promise made in this Agreement or any guaranty and do not correct the default within 10 days after we send you written notice of the default, or (g) you default on any other agreement between you and us (or our affiliates).

**14. REMEDIES.** Upon the occurrence of a default, we may, in our sole discretion, do any or all of the following: (a) provide written notice to you of default; (b) as liquidated damages for loss of a bargain and not as a penalty, declare due and payable, the present value of (i) any and all amounts which may be then due and payable by you to us under the Lease, plus (ii) all Rent payments remaining through the end of the Lease Term, plus (iii) the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term, all discounted at the higher of 6% or the lowest rate allowed by law (collectively, the "Net Book Value"). We have the right to require you to make the Equipment available to us for repossession during reasonable business hours or we may repossess the Equipment, so long as we do not breach the peace in doing so, or we may use legal process in compliance with applicable law pursuant to court order to have the Equipment repossessed. You will not make any claims against us or the Equipment for trespass, damage or any other reason. If we take possession of the Equipment we may (a) sell or lease the Equipment at public or private sale or lease, and/or (b) exercise such other rights as may be allowed by applicable law. Although you agree that we have no obligation to sell the Equipment, if we do sell the Equipment, we will reduce the Net Book Value by the amounts we receive. You will immediately pay us the remaining Net Book Value. If the Lease includes a Dollar Purchase Option and we receive more than the Net Book Value plus our costs of sale, we will give you the excess. You agree (a) that we only need to give you 10 days advance notice of any sale and no notice of advertising, (b) to pay all of the costs we incur to enforce our rights against you, including attorney's fees, and (c) that we will retain all of our rights against you even if we do not choose to enforce them at the time of your default.

**15. YOUR OPTIONS AT END OF LEASE.** Provided you are not in default, upon expiration of a Lease with a Dollar Purchase Option, you shall purchase the Equipment at the end of the Lease Term for such amount and we will release any security interest we may have in the Equipment. Provided you are not in default, upon expiration of a Lease with a Stated Purchase Option, you shall have the option to (a) return the Equipment in accordance with Section 16, or (b) on 60 days advance written notice to us, purchase all but not less than all of the Equipment for the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term. If the Purchase Option is stated as a percentage, the Purchase Option amount shall be the product of such percentage multiplied by the Equipment Cost (as such term is defined in Section 21). If you elect to purchase the Equipment, upon payment of the agreed upon price including all sales taxes and other applicable taxes, we will transfer the Equipment to you **AS IS-WHERE IS, WITHOUT ANY REPRESENTATION OR WARRANTY.** If you fail to exercise the purchase option (a) you will continue to pay Rent until the Equipment is received and accepted by us pursuant to Section 16, and (b) all of the terms of the Lease shall continue to apply.

**16. RETURN OF EQUIPMENT.** If (a) a default occurs, (b) you do not purchase the Equipment at the end of the Lease Term, or (c) you do not extend the Lease Term, you will immediately return the Equipment to any location(s) and aboard any carrier(s) we may designate in the continental United States. The Equipment must be properly packed for shipment in accordance with the manufacturer's recommendations or specifications, freight prepaid and insured, maintained in accordance with Section 7, and in "Average Saleable Condition." "Average Saleable Condition" means that all of the Equipment is immediately available for use by a third party buyer, user or lessee, other than yourself, without the need for any repair or refurbishment. All Equipment must be free of markings. You will pay us for any missing or defective parts or accessories. You will continue to pay Rent until the Equipment is received and accepted by us.

**17. YOUR REPRESENTATIONS.** You state for our benefit that as of the date of each Lease (a) you have the lawful power and authority to enter into the Lease, (b) the individuals signing this Agreement and the Schedule have been duly authorized to do so on your behalf, (c) by entering into the Lease you will not violate any law or other agreement to which you are a party, (d) you are not aware of anything that will have a material negative effect on your ability to satisfy your obligations under the Lease, and (e) all financial information you have provided us is true and accurate and provides a good representation of your financial condition.

**18. YOUR PROMISES.** In addition to the other provisions of this Agreement, you agree that during the term of each Lease (a) you will promptly notify us in writing if you move your principal place of business, if you change the name of your business, or if there is a change in your ownership, (b) you will provide to us such financial information as we may reasonably request from time to time, and (c) you will take any action we reasonably request to protect our rights in the Equipment and to meet your obligations under the Lease.

**19. ASSIGNMENT. YOU WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE, SUB-LEASE OR PART WITH POSSESSION OF THE EQUIPMENT, OR FILE OR PERMIT A LIEN TO BE FILED AGAINST THE EQUIPMENT.** You will not attach any of the Equipment to any real estate. Upon our reasonable request and at your cost, you will get each person with an interest in the real estate where the Equipment is located to waive any rights they may have in the Equipment. We may, without notifying you, sell, assign, or transfer any Lease and our interests in the Equipment. You agree that if we do so, the new owner (and any subsequent owners) will have the same rights and benefits that we now have, but will not have to perform any of our obligations. You agree that the rights of the new owner will not be subject to any claims, defenses, or set-offs that you may have against us. However, any such assignment, sale, or transfer of the Lease or the Equipment will not relieve us of any obligations we may have to you under the Lease. If you are given notice of a new owner of a Lease, you agree to respond to any requests about the Lease and, if directed by us, to pay the new owner all Rent and other amounts due under the Lease.

**20. COLLECTION EXPENSES, OVERDUE PAYMENT, TERMINATION.** You agree that we can, but do not have to, take on your behalf any action which you fail to take as required by the Lease, and our expenses will be in addition to of the Rent which you owe us. We may charge you a late charge to cover our collection costs equal to the higher of 10% of any late payment or $22, but not more than the highest legal rate. To the extent allowed by law, any late payment or non-payment of any past due amount will accrue interest at the lower of 18% per annum or the highest legal rate from the due date until paid. If you so request and we permit the early termination of the Lease, you agree to pay a fee for such privilege.

**21. AGREED LEASE RATE FACTOR.** You understand that the Equipment may be purchased for cash (the "Equipment Cost") or it may be leased. By signing the Lease, you acknowledge that you have chosen to lease the Equipment from us for the Lease Term and that you have agreed to pay Rent. If the Lease provides for a Dollar Purchase Option, each payment of Rent includes a principal amount based on the Equipment Cost and a lease charge rate. The Equipment Cost is the Rent divided by the Lease Rate Factor. The lease charge portion of the Rent can be determined by applying to the Equipment Cost the rate which will amortize the Equipment Cost down to the Purchase Option amount (which may be a fixed amount or a percentage of the Equipment Cost) by payment of the Rent. The lease charge rate can also be calculated using the Equipment Cost as the present value, the Purchase Option amount as the future value, the Rent as the payment and the Lease Term as the term. The lease charge rate may be higher than the actual annual interest rate because of the amortization of certain costs, expenses and fees incurred by us. **We both intend to comply with all applicable laws. If it is determined that your payments under the Lease result in an interest payment higher than allowed by applicable law, then any excess interest collected will be applied to the repayment of principal and interest will be charged at the highest rate allowed by law. In no event will we charge or receive or will you pay any amounts in excess of the legal amount.**

**22. MISCELLANEOUS.** The Lease contains our entire agreement and supersedes any conflicting provision of any equipment purchase order or any other agreement. **TIME IS OF THE ESSENCE IN THE LEASE.** If a court finds any provision of this Agreement or any Schedule to be unenforceable, the remaining terms of the Lease shall remain in effect. **EACH LEASE IS A "FINANCE LEASE" AS DEFINED IN ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE.** You authorize us (or our agent) to (a) obtain credit reports, (b) make such other credit inquiries as we may deem necessary, and (c) furnish payment history information to credit reporting agencies. To the extent permitted by law, we may charge you a fee of $43.25 to cover our documentation and investigation costs.

**23. NOTICES.** All of your written notices to us must be sent by certified mail or recognized overnight delivery service, postage prepaid, to us at our address stated in this Agreement, or by facsimile transmission to our facsimile telephone number, with oral confirmation of receipt. All of our notices to you may be sent first class mail, postage prepaid, to your address stated in this Agreement. At any time after this Agreement is signed, you or we may change an address or facsimile telephone number by giving notice to the other of the change.

**24. WAIVERS. WE AND YOU EACH AGREE TO WAIVE AND TO TAKE ALL REQUIRED STEPS TO WAIVE ALL RIGHTS TO A JURY TRIAL.** To the extent you are permitted by applicable law, you waive all rights and remedies conferred upon a lessee by Article 2A (Sections 508-522) of the Uniform Commercial Code including but not limited to your rights to: (a) cancel or repudiate this Agreement; (b) reject or revoke acceptance of the Equipment; (c) recover damages from us for any breach of warranty or for any other reason; and (d) grant a security interest in any Equipment in your possession. To the extent you are permitted by applicable law, you waive any rights you now or later may have under any statute or otherwise which require us to sell or otherwise use any Equipment to reduce our damages, which require us to provide you with notice of default, intent to accelerate amounts becoming due or acceleration of amounts becoming due, or which may otherwise limit or modify any of our rights or remedies. **ANY ACTION YOU TAKE AGAINST US FOR ANY DEFAULT, INCLUDING BREACH OF WARRANTY OR INDEMNITY, MUST BE STARTED WITHIN ONE (1) YEAR AFTER THE EVENT WHICH CAUSED IT.** We will not be liable for specific performance of any Lease or for any losses, damages, delay or failure to deliver Equipment.

**Lessee's Initials** _____

TEQlease EDUCATION FINANCE

# Schedule # 001
# Master Lease Agreement # 412

**LESSOR:** **TEQLEASE, INC.**
**23801 Calabasas Road, Suite 101**
**Calabasas, CA 91302**

**LESSEE:** **QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL**
**7495 W. Azure Drive, Suite 250**
**Las Vegas, NV 89149**

**EQUIPMENT SCHEDULE**

Personal computers and other equipment. The final Rent amount will be amended, if necessary, as determined by the final Equipment cost, by Lessor using the rate factor stated below. The Equipment configuration will be determined by invoices presented from Hertz Furniture Systems, which will be described in the Certificate of Acceptance. The Equipment consists of the following:

**Equipment Location No. 1:**

Quest Academy Preparatory Education Azure Campus
7485 West Azure Drive
Las Vegas, NV 89149

Equipment Cost: $337,764.19

| Item | Item No. | Description | Qty | Cost per Item | Total Cost |
|---|---|---|---|---|---|
| 1 | VBA-46 | 6'x4' Vinyl Bulletin Board w/Alum. Frame | 32 | $115.00 | $3,680.00 |
| 2 | VBA-48 | 8'x4' Vinyl Bulletin Board w/Alum. Frame | 22 | $149.00 | $3,278.00 |
| 3 | INS-718 | 18"h inspiration value classroom chair | 470 | $43.95 | $20,656.50 |
| 4 | WAD-1800 | Wheelchair accessible school desk - laminate | 16 | $131.95 | $2,111.20 |
| 5 | PET-BOOK | Wire Book Rack for Petal Desk | 360 | $28.00 | $10,080.00 |
| 6 | ACD-2468RP | Deluxe Nate Teacher's Station with Removable Pedestal | 16 | $1,139.00 | $18,224.00 |
| 7 | GS-2460ADJ | 60x24 Group-Study Rectangular Table | 195 | $116.00 | $22,620.00 |
| 8 | PET-1900HPC | Colored Petal Classroom Desk with Hard Plastic Top | 36 | $204.95 | $7,378.20 |
| 9 | ACD-3048 | Nate junior single-pedestal teacher's desk | 5 | $487.00 | $2,435.00 |
| 10 | INS-658D | Inspiration swivel drafting stool | 3 | $133.95 | $401.85 |
| 11 | ACB-96D | All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | 32 | $999.00 | $31,968.00 |
| 12 | DRY-2440 | 18"x24" Port-O-Rack Drying Rack - 40 Shelves | 1 | $659.00 | $659.00 |
| 13 | 999-374S | Hd mobile stg | 2 | $1,173.00 | $2,346.00 |
| 14 | 999-3620-27 | Cot medical wood leg | 1 | $201.80 | $201.80 |
| 15 | DVM-4751K | Mobile tote tray storage | 6 | $1,369.00 | $8,214.00 |
| 16 | DVR-4342 | 54"wx30"d extra-large mobile demo center | 2 | $2,049.00 | $4,098.00 |
| 17 | DVR-4342F | 54"Wx30"D Extra Large Mobile Demo Center with Flat Top | 1 | $1,599.00 | $1,599.00 |
| 18 | MZE-3000 | The maze office chair | 43 | $139.00 | $5,977.00 |
| 19 | 999-7011 | Guest chair | 2 | $102.93 | $205.86 |
| 20 | 999-CDU-3220 | Circulation desk ADA 36w | 1 | $1,139.00 | $1,139.00 |
| 21 | 999-CDU-3902 | Cir desk patron desk 36wx39h | 1 | $937.00 | $937.00 |
| 22 | 999-QSD-48S | Lib shelf 23.75x37x48h | 2 | $683.00 | $1,366.00 |
| 23 | 999-OVB-72 | Sf back panel lib shelf 72h | 7 | $93.00 | $651.00 |
| 24 | RWD-CART | Titan cart | 2 | $187.00 | $374.00 |
| 25 | 999-QSS-72-A | Fusion lib shelf 12x37x72h | 5 | $342.00 | $1,710.00 |
| 26 | 999-QSS-72-S | Fusion lib shelf 12x37x72h starter | 2 | $450.00 | $900.00 |
| 27 | 999-CDU-3218 | Circ desk end panel 32h | 1 | $237.00 | $237.00 |
| 28 | 999-5833 Storage Unit | Custom Storage Unit w/locking Door | 56 | $795.00 | $44,520.00 |
| 29 | 999-5833CUSTOM | Storage Unit W/LOCKING Door Cubby Quote #39868 | 12 | $795.00 | $9,540.00 |
| 30 | 999-3MM1-5866 | Wardrobe storage unit | 18 | $707.00 | $12,726.00 |
| 31 | 999-5832 | Storage cabinet | 4 | $635.00 | $2,540.00 |
| 32 | CTM-72SB | 4-Shelf Bookcase with Solid Back | 2 | $274.00 | $548.00 |
| 33 | 999-665A-665C/190/24/665C/191/24 | Cubicle corner section | 3 | $1,950.00 | $5,850.00 |
| 34 | 999-MAN5-239BT | Bowfront Office Desk 36x72 | 1 | $753.00 | $753.00 |
| 35 | 999-3MM1-5003/4X(MOD 42W) | Bridge office desk | 1 | $205.00 | $205.00 |
| 36 | 999-MAN5-268BT | Desk, office credenza, BBF (RH) | 1 | $650.00 | $650.00 |
| 37 | 138130 | Custom table to seat 11 people Candex quote #138130 | 1 | $5,800.00 | $5,800.00 |
| 38 | 999-#MM2-555/#MM2-538 | Teacher mailbox, 30 | 1 | $997.00 | $997.00 |
| 39 | 999-CTM-48R | Round table 42d | 1 | $352.00 | $352.00 |
| 40 | 999-577-3MM1 | Lateral file 4 drawer | 5 | $895.00 | $4,475.00 |
| 41 | 999-S1831K4/S0785T1 | Tablet arm chair starter grade 10 fabric | 8 | $1,081.00 | $8,648.00 |
| 42 | MYS-1006 | Mystic 3-seat bench | 2 | $363.00 | $726.00 |
| 43 | 999-S1831K4 | Chair w/Arms Grade 10 Fabric | 1 | $942.00 | $942.00 |
| 44 | 999-S3831K4 | Sofa w/Arms Grade 10 Fabric | 2 | $1,758.00 | $3,516.00 |
| 45 | MYS-1285 | Mystic end table | 1 | $164.00 | $164.00 |
| 46 | MYS-1802C | Mystic Stacking Guest Chair with Casters | 18 | $249.00 | $4,482.00 |
| 47 | MYS-1772S | Mystic 72x36" Conference Table with Shelf | 3 | $699.00 | $2,097.00 |

| | | | | | |
|---|---|---|---|---|---|
| 48 | ZST-6624N | 24"H Seat Heavy-Duty Z-Stool without Backrest | 96 | $87.95 | $8,443.20 |
| 49 | NMS-82 | Music Stand, Height and Angle Adjustable | 28 | $38.00 | $1,064.00 |
| 50 | NMS-CART20 | Music Stand Cart for 20 Stands | 2 | $329.00 | $658.00 |
| 51 | 999-55296 | Desk reception circular | 1 | $5,499.80 | $5,499.80 |
| 52 | 999-211T | Chair tablet arm adder | 91 | $187.00 | $17,017.00 |
| 53 | 999-212T | Chair tablet arm | 19 | $260.00 | $4,940.00 |
| 54 | ESL-612PA | Vision Sound Lectern with Built-In LCD Screen | 1 | $699.00 | $699.00 |
| 55 | 999-CDR-3905 | Fus circ dedk library book return | 1 | $852.00 | $852.00 |
| 56 | 999-CDR-3916 | Fus circ desk lib corner unit | 1 | $1,030.00 | $1,030.00 |
| 57 | 999-RW3643CAFE | Table lib cafe 36"dia | 3 | $775.00 | $2,325.00 |
| 58 | 999-RW-FF18WB | Library chair | 24 | $137.40 | $3,297.60 |
| 59 | 999-RW-FF29WB | Library chair, bar stool | 6 | $182.95 | $1,097.70 |
| 60 | 999-PS-294R01 MOD | 30"D Metal Legs Activity Table 30x60 | 6 | $631.55 | $3,789.30 |
| 61 | FNG-2460 | 60"lx24"w flip n go training table | 15 | $416.00 | $6,240.00 |
| 62 | ATM-874 | 36"wx24"dx78"h mobile cabinet full height | 1 | $639.00 | $639.00 |
| 63 | SBT-4260PHH | 60"lx42"w 36h solid phenolic top | 24 | $849.00 | $20,376.00 |
| 64 | MBR-440 | 4'x6' Mobile Porcelain Music and Cork Board Alum Frame | 1 | $719.00 | $719.00 |
| 65 | SPI-375 | 60"w spirit display case | 1 | $2,249.00 | $2,249.00 |
| 66 | SBT-83060H | 60"lx30"w 36h science-bio table | 1 | $327.00 | $327.00 |
| 67 | FREIGHT | | | | $23,883.63 |
| 68 | INSTALLATION | | | | $29,245.00 |
| | | | | TOTAL COST | $397,369.64 |
| | | | | DISCOUNT | -$59,605.45 |
| | | | | FINAL COST | $337,764.19 |

**Equipment Location No. 2:**

Quest Academy Preparatory Education Bridger Campus
1300 East Bridger Avenue
Las Vegas, NV 89101

Equipment Cost: $173,599.79

| Item | Item No. | Description | Qty | Cost per Item | Total Cost |
|---|---|---|---|---|---|
| 1 | VBA-46 | 6'x4' Vinyl Bulletin Board w/Alum. Frame | 20 | $115.00 | $2,300.00 |
| 2 | SYN-4896 | 4'x8' Syncoat Magnetic Markerboard | 7 | $229.00 | $1,603.00 |
| 3 | VBA-48 | 8'x4' Vinyl Bulletin Board w/Alum. Frame | 2 | $149.00 | $298.00 |
| 4 | INS-718 | 18"H Inspiration Value Classroom Chair | 180 | $43.95 | $7,911.00 |
| 5 | WAD-1800 | Wheelchair Accessible School Desk - Laminate | 11 | $131.95 | $1,451.45 |
| 6 | ACD-2468RP | Deluxe Nate Teacher's Station with Removable Pedestal | 10 | $1,139.00 | $11,390.00 |
| 7 | GS-2460ADJ | 60x24 Group-Study Rectangular Table | 143 | $116.00 | $16,588.00 |
| 8 | PET-1900HPC | Colored Petal Classroom Desk with Hard Plastic Top | 12 | $204.95 | $2,459.40 |
| 9 | ACD-3048 | Nate Junior Single-Pedestal Teacher's Desk | 1 | $487.00 | $487.00 |
| 10 | INS-658D | Inspiration Swivel Drafting Stool | 1 | $133.95 | $133.95 |
| 11 | INS-714 | 14"H Inspiration Value Classroom Chair | 60 | $38.55 | $2,313.00 |
| 12 | INS-716 | 15.5"H Inspiration Value Classroom Chair | 60 | $42.95 | $2,577.00 |
| 13 | GS-4872ADJ | 21-29"h group-study kidney shaped table | 5 | $199.00 | $995.00 |
| 14 | ACB-96D | All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | 30 | $999.00 | $29,970.00 |
| 15 | DRY-2440 | 18"x24" Port-O-Rack Drying Rack - 40 Shelves | 1 | $659.00 | $659.00 |
| 16 | 999-374S | Hd mobile stg | 2 | $1,173.00 | $2,346.00 |
| 17 | CBB-6135 | 35in. Childrens bean bag | 3 | $65.00 | $195.00 |
| 18 | 999-3620-27 | Medical cot 27w wood leg | 1 | $201.80 | $201.80 |
| 19 | MZE-3000 | The maze office chair | 18 | $139.00 | $2,502.00 |
| 20 | ULT-3902 | Ultima Patron Desk with Recessed Worksurface | 1 | $1,079.00 | $1,079.00 |
| 21 | ULT-D32 | Ultima depressible book truck | 1 | $1,089.00 | $1,089.00 |
| 22 | ULT-3220 | Ultima ada desk | 1 | $1,139.00 | $1,139.00 |
| 23 | 999-CDU-3218 | Circ desk, end panel 32h | 1 | $237.00 | $237.00 |
| 24 | 999-DS-243631/A-TC | Mobile Base Library Book Bin Display | 1 | $865.00 | $865.00 |
| 25 | 999-QSS-42-A | Fusion lib shelf 12x36x42h adder | 4 | $229.00 | $916.00 |
| 26 | 999-5833 | Custom storage unit locking door cubby quote#39868 | 44 | $795.00 | $34,980.00 |
| 27 | 999-3MM1-5866 | Storage unit wardrobe | 11 | $707.00 | $7,777.00 |
| 28 | 999-3MM2-555 | MAILBOX-TEACHER,30 3MM2-538 | 1 | $0.00 | $0.00 |
| 29 | 999-5860 | Reception, Curved Bench Grade 9 Fabric | 3 | $1,269.25 | $3,807.75 |
| 30 | 999-5836V | Reception, Curved Table Grade 9 Fabric | 2 | $676.35 | $1,352.70 |
| 31 | 999- S1831K4/S0785T1 | Tablet Arm Chair Starter Grade 10 Fabric | 6 | $1,081.00 | $6,486.00 |
| 32 | MYS-1772S | Mystic 72x36" Conference Table with Shelf | 1 | $699.00 | $699.00 |
| 33 | FNG-2460 | 60"Lx24"W Flip N Go Training Table | 15 | $416.00 | $6,240.00 |
| 34 | 999-CDR-3916 | Library Circ Desk, Corner Unit | 1 | $1,030.00 | $1,030.00 |
| 35 | ATM-874 | 36"Wx24"Dx78"H Mobile Cabinet Full Height | 1 | $639.00 | $639.00 |
| 36 | MBR-440 | 4'x6' Mobile Porcelain Music and Cork Board Alum Frame | 1 | $719.00 | $719.00 |
| 37 | TRR-430N | Jumbo Rocker Natural | 1 | $179.00 | $179.00 |
| 38 | JOY-1430D | 7'8"x10'9" Lots of Dots Rectangle Carpet | 6 | $389.00 | $2,334.00 |

| | | | | | |
|---|---|---|---|---|---|
| 39 | SBT-83060H | 60"Lx30"W 36H Science-Bio Table | 1 | $327.00 | $327.00 |
| 40 | INSTALLATION | INSTALLATION | | $24,415.00 | $24,415.00 |
| 41 | FREIGHT | FREIGHT | | $21,544.00 | $21,544.00 |
| | | | TOTAL COST | | $204,235.05 |
| | | | DISCOUNT | | ($30,635.26) |
| | | | FINAL COST | | $173,599.79 |

**TRANSACTION TERMS:**

| | | | |
|---|---|---|---|
| RENT: | $145,012.09 per Year (Plus applicable taxes) | Equipment Cost: | $601,604.69 |
| PAYABLE: | Yearly in Advance | Discount: | $-90,240.71 |
| ADVANCE RENT: | $145,012.09 (May 15, 2014 thru May 14, 2015 paid in advance, Plus applicable taxes) | e-Waste: | $0.00 |
| ADVANCE RENTAL/ DOWNPAYMENT | N/A | Taxes: | $0.00 |
| | | **TOTAL:** | **$511,363.98** |

EQUIPMENT PURCHASE OPTION at END of LEASE:

**X** $1.00 Fair Market Value. Other:

LEASE TERM: 48 Months (first rental due May 15, 2014)

EQUIPMENT LOCATION: (IF DIFFERENT FROM LESSEE ADDRESS ABOVE) Azure Campus/Bridger Campus

LESSEE CONTACT/TELEPHONE: David Olive, 702-515-4021, davidolivequest@gmail.com

**THIS SCHEDULE INCORPORATES ALL OF THE TERMS AND CONDITIONS IN THE MASTER LEASE AGREEMENT BETWEEN LESSOR AND LESSEE IDENTIFIED ABOVE.**

**IMPORTANT:**

**READ BEFORE SIGNING. THE TERMS OF THIS SCHEDULE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. THIS SCHEDULE INCORPORATES THE TERMS OF THE ABOVE IDENTIFIED MASTER LEASE AGREEMENT. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN SCHEDULE OR THE MASTER LEASE AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS SCHEDULE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS SCHEDULE. THIS SCHEDULE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.**

**YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS SCHEDULE AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS SCHEDULE WAS SIGNED. THIS SCHEDULE IS NOT BINDING UPON US OR EFFECTIVE UNTIL AND UNLESS WE EXECUTE THIS SCHEDULE. THIS SCHEDULE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.**

*ACCEPTED BY:*

**LESSOR: TEQLEASE, INC.**

BY: _____

NAME & TITLE: Michael P. Lockwood, President

DATE: May 18, 2015

*PROPOSED BY:*

**LESSEE: QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL**

BY: _____

NAME & TITLE: David Olive, Governing Board President

DATE: May 18, 2015 FED. TAX ID#: 20-4359631

TEQlease EDUCATION FINANCE

# Schedule # 002
# Master Lease Agreement # 412

**LESSOR:** **TEQLEASE, INC.**
**23801 Calabasas Road, Suite 101**
**Calabasas, CA 91302**

**LESSEE:** **QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL**
**7495 W. Azure Drive, Suite 250**
**Las Vegas, NV 89149**

## EQUIPMENT SCHEDULE

Personal computers and other equipment. The final Rent amount will be amended, if necessary, as determined by the final Equipment cost, by Lessor using the rate factor stated below. The Equipment configuration will be determined by invoices presented from Hertz Furniture Systems, which will be described in the Certificate of Acceptance. The Equipment consists of the following:

| Item | Item No. | Description | Qty | Cost per Item | Total Cost |
|---|---|---|---|---|---|
| 1 | CBB-6135 | children's bean bag, 35in. | 3 | $65.00 | $195.00 |
| 2 | INS-716 | classroom chair, 15.5"h inspiration value | 128 | $42.95 | $5,497.60 |
| 3 | INS-718 | classroom chair, 18"h inspiration value | 186 | $43.95 | $8,174.70 |
| 4 | INS-658D | drafting stool | 1 | $133.95 | $133.95 |
| 5 | MYS-1285 | end table, mystic | 1 | $164.00 | $164.00 |
| 6 | 999-QSD-48-A | lib shelf 23.75x36x48 h adder, qsd-48-a | 3 | $512.00 | $1,536.00 |
| 7 | 999-QSD-48-S | lib shelf 23.75x75x37 x48h starter, qsd-48-s | 3 | $683.00 | $2,049.00 |
| 8 | 999-QSS-72-A | lib shelf adder 12x36x72h fusion, qss-72-a | 10 | $342.00 | $3,420.00 |
| 9 | 999-QP-7212-S | lib shelf, fusion 12x 37x72h periodical starter, qp-7212-s | 1 | $600.00 | $600.00 |
| 10 | 999-QSS-42-A | lib shelf, fusion 12x36x42h adder, qss-42-a | 3 | $229.00 | $687.00 |
| 11 | 999-OVB-72 | lib shelf,sf back panel 72h, ovb-72 | 16 | $93.00 | $1,488.00 |
| 12 | 999-OVB-42 | library shelf sf back panel 42h, ovb-42 | 3 | $50.00 | $150.00 |
| 13 | SYN-4896 | markerboard, 4'x8' syncoat magnetic | 4 | $229.00 | $916.00 |
| 14 | MYS-1285 | mystic end table | 1 | $164.00 | $164.00 |
| 15 | MZE-3000 | office chair, the maze | 10 | $139.00 | $1,390.00 |
| 16 | WAD-1800 | school desk. wheelchair accessible - laminate | 1 | $131.95 | $131.95 |
| 16 | WAD-1800 | school desk. wheelchair accessible - laminate | 9 | $131.95 | $1,187.55 |
| 17 | 999-5833 | storage unit locking door cubby cognac 5833 | 30 | $795.00 | $23,850.00 |
| 18 | 999-5833 | storage unit w/locking door cubby qte#39868-cogn | 2 | $795.00 | $1,590.00 |
| 19 | 999-5833 | storage unit w/locking door cubby qte#39868-cognc | 4 | $795.00 | $3,180.00 |
| 20 | 999-5866 | storage unit wardrobe - cognac 3mm1-5866 | 5 | $707.00 | $3,535.00 |
| 21 | 999-5866 | storage unit wardrobe - cognac, 3mm1-5866 | 7 | $707.00 | $4,949.00 |
| 22 | 999-PS-78PT | table library slope top reading 31x78, ps-78pt | 2 | $1,298.00 | $2,596.00 |
| 23 | GS-3048ADJH | table, 48x30 group-study rectangular | 6 | $114.00 | $684.00 |
| 24 | GS-4872ADJ | table 21-29"h group-study kidney shaped | 7 | $199.00 | $1,393.00 |
| 25 | GS-2460ADJ | table 60x24 group-study rectangular | 112 | $116.00 | $12,992.00 |
| 26 | ACB-96D | table/bench unit, all-in-one 8 feet with dyna-rock edge | 16 | $999.00 | $15,984.00 |
| 27 | 999-DS-243631/A-TC | tc mobile base library book bin display, ds-243631/a- | 2 | $865.00 | $1,730.00 |
| 28 | ACD-2468RP | teacher's station with removable pedestal, deluxe Nate | 1 | $1,139.00 | $1,139.00 |
| 28 | ACD-2468RP | teacher's station with removable pedestal, deluxe Nate | 11 | $1,139.00 | $12,529.00 |
| 29 | VBA-46 | vinyl bulletin board w/alum. frame, 6'x4' | 22 | $115.00 | $2,530.00 |
| 30 | PET-BOOK | wire book rack for petal desk | 30 | $28.00 | $840.00 |
| 31 | INS-714 | 14" chairs | 42 | $38.55 | $1,619.10 |
| 32 | INS-716 | 15.5" chairs | 32 | $42.95 | $1,374.40 |
| 33 | SLP-48C | Sandusky 24-Laptop Charging Cart | 2 | $1,219.00 | $2,438.00 |
| 34 | syn-4896 | Whiteboard | 6 | $229.00 | $1,374.00 |
| 35 | RWD-CART | Titan Cart | 7 | $145.00 | $1,015.00 |
| 36 | 999-QSS-72-A | lib shelf adder 12x36x72h fusion | 3 | $342.00 | $1,026.00 |
| 37 | 999-QSS-72-S | LIB SHELF STARTER 12X37X72H | 2 | $600.00 | $1,200.00 |
| 38 | ACB-96D | Cafeteria Table | 1 | $999.00 | $999.00 |
| 39 | SPI-375 | 60" Display Case | 4 | $2,249.00 | $8,996.00 |
| | | | | **TOTAL COST** | **$137,447.25** |
| | | | | **DISCOUNT** | **-$19,897.39** |
| | | | | **FINAL COST** | **$117,549.86** |

## TRANSACTION TERMS:

RENT: $33,365.80 per Year (Plus applicable taxes)
PAYABLE: Yearly in Advance
ADVANCE RENT: $33,365.80 (May 15, 2014 thru May 14, 2015 paid in advance, Plus applicable taxes)
ADVANCE RENTAL/ DOWNPAYMENT: N/A

Equipment Cost: $137,447.25
Discount: $-19,897.39
e-Waste: $0.00
Taxes: $0.00
**TOTAL: $117,549.86**

EQUIPMENT PURCHASE OPTION at END of LEASE:
X $1.00 ___ Fair Market Value. ___ Other:

LEASE TERM: 48 Months (first rental due May 15, 2014)
EQUIPMENT LOCATION: (IF DIFFERENT FROM LESSEE ADDRESS ABOVE) C/O Glide Installations
2629 E. Craig Road, Suite H, Las Vegas Nevada 89030

| LESSEE CONTACT/TELEPHONE: | David Olive, 702-515-4021, davidolivequest@gmail.com |
|---|---|

**THIS SCHEDULE INCORPORATES ALL OF THE TERMS AND CONDITIONS IN THE MASTER LEASE AGREEMENT BETWEEN LESSOR AND LESSEE IDENTIFIED ABOVE.**

**IMPORTANT:**

**READ BEFORE SIGNING. THE TERMS OF THIS SCHEDULE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. THIS SCHEDULE INCORPORATES THE TERMS OF THE ABOVE IDENTIFIED MASTER LEASE AGREEMENT. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN SCHEDULE OR THE MASTER LEASE AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS SCHEDULE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS SCHEDULE. THIS SCHEDULE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.**

**YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS SCHEDULE AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS SCHEDULE WAS SIGNED. THIS SCHEDULE IS NOT BINDING UPON US OR EFFECTIVE UNTIL AND UNLESS WE EXECUTE THIS SCHEDULE. THIS SCHEDULE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.**

| *ACCEPTED BY:* | | *PROPOSED BY:* | |
|---|---|---|---|
| **LESSOR:** | **TEQLEASE, INC.** | **LESSEE:** | **QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL** |
| BY: | | BY: | |
| NAME & TITLE: | Michael P. Lockwood, President | NAME & TITLE: | David Olive, Governing Board President |
| DATE: | May 18, 2015 | DATE: | May 18, 2015 FED. TAX ID#: 20-4359631 |

# Appendix J

GARDENER & RIECHMANN, INC.
MICHAEL J. RIECHMANN, SBN 67280
1806 N. Broadway, Suite A
Santa Ana, California 92706
Telephone: (714) 972-8989
Facsimile: (714) 972-3928

Attorneys for Plaintiff HERTZ FURNITURE SYSTEMS, LLC

**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**COUNTY OF LOS ANGELES, NORTHWEST DISTRICT, VAN NUYS COURTHOUSE**

| | |
|---|---|
| HERTZ FURNITURE SYSTEMS, LLC, a limited liability corporation aka HERTZ FURNITURE,<br><br>Plaintiff,<br><br>v.<br><br>TEQLEASE, INC., a corporation aka TEQlease; and DOES 1 to 10,<br><br>Defendants. | CASE NO. LC102485<br><br>**NOTICE OF ELECTION TO FILE FIRST AMENDED COMPLAINTIN LIEU OF OPPOSITION TO DEMURRER**<br><br>**DATE:** October 2, 2015<br>**TIME:** 8:30 a.m.<br>**DEPT.:** Q<br><br>Complaint filed: December 31, 2014<br>Trial date: None Set<br>**RES ID:** 150123039070 |

TO ALL PARTIES, THEIR ATTORNEYS OF RECORD, AND THIS HONORABLE COURT:

PLEASE TAKE NOTICE THAT Plaintiff HERTZ FURNITURE SYSTEMS, LLC hereby elects to file a First Amended Complaint in lieu of an opposition to Defendant TEQLEASE, INC.'s demurrer to Plaintiff's original Complaint, pursuant to Code of Civil Procedure § 472. Plaintiff therefore respectfully requests that the Court take the pending demurrer off-calendar.

Dated: March 10, 2015

GARDENER & RIECHMANN, INC.
Attorneys at Law

By: _____
MICHAEL J. RIECHMANN
Attorneys for Plaintiff HERTZ FURNITURE SYSTEMS, LLC

GARDENER & RIECHMANN, INC.
MICHAEL J. RIECHMANN, SBN 67280
1806 N. Broadway, Suite A
Santa Ana, California 92706
Telephone: (714) 972-8989
Facsimile: (714) 972-3928

Attorneys for Plaintiff HERTZ FURNITURE SYSTEMS, LLC

**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**COUNTY OF LOS ANGELES, NORTHWEST DISTRICT, VAN NUYS COURTHOUSE**

| | |
|---|---|
| HERTZ FURNITURE SYSTEMS, LLC, a limited liability corporation aka HERTZ FURNITURE,<br><br>Plaintiff,<br><br>v.<br><br>TEQLEASE, INC., a corporation aka TEQlease; and DOES 1 to 10,<br><br>Defendants. | CASE NO. LC102485<br><br>**FIRST AMENDED COMPLAINT FOR:**<br><br>**1. BREACH OF ORAL CONTRACT**<br>**2. BREACH OF WRITTEN CONTRACT**<br>**3. BREACH OF IMPLIED-IN-FACT CONTRACT**<br>**4. QUANTUM VALEBANT**<br>**5. ACCOUNT STATED**<br>**6. GOODS SOLD AND DELIVERED**<br><br>Complaint filed: December 31, 2014<br>Trial date: None Set |

Plaintiff HERTZ FURNITURE SYSTEMS, LLC hereby alleges the following:

**THE PARTIES**

1. Plaintiff is a limited liability company organized under the laws of the State of New Jersey.

2. Plaintiff is informed and believes, and thereupon alleges, that Defendant TEQLEASE, INC. ("TEQ") is, and at all times herein relevant was, a corporation organized under the laws of the State of New Jersey, with its principal place of business located in the City of Calabasas, County of Los Angeles, State of California.

3. The true names and capacities, whether individual, corporate, associate or otherwise, of the defendants named herein as Does 1 through 10, inclusive, are unknown to Plaintiff, who therefore sues said defendants by such fictitious names and will amend this Complaint to show their true names and capacities when the same are ascertained. Plaintiff is informed and believes, and on that basis alleges, that each of the fictitiously-named defendants is responsible in some manner for the occurrences herein alleged, and that Plaintiff's damages as herein alleged were proximately caused by such defendants.

4. Plaintiff is informed and believes, and on that basis alleges, that at all relevant times herein mentioned, each Defendant was the agent, servant, and/or employee of all other Defendants, and in doing the things hereinafter mentioned, was acting in the scope of their authority as such agents, servants and/or employees with the permission and consent of each other Defendant.

## JURISDICTION AND VENUE

5. This Court has personal jurisdiction over TEQ because it is a corporation organized under the laws of the State of California. This Court is the proper venue for this action pursuant to Code of Civil Procedure § 395.5, because TEQ's principal place of business is located within the territorial boundaries of this judicial district.

## GENERAL ALLEGATIONS

6. Plaintiff is engaged in the business of selling furniture and office equipment.

7. On or about May 19, 2014, Defendants requested pricing from Plaintiff for various furniture and equipment. In response, Plaintiff provided Defendants with written pricing quotes, true and correct copies of which are attached hereto as Exhibit B-1 and Exhibit B-2 and incorporated herein by this reference.

8. Sometime after Plaintiff provided Defendants with Exhibits B-1 and B-2, Defendants submitted a purchase order to Plaintiff, a true and correct copy of which is attached hereto as Exhibit A, and incorporated herein by this reference.

//

//

## FIRST CAUSE OF ACTION
## BREACH OF ORAL CONTRACT
Against All Defendants

9. Plaintiff hereby incorporates Paragraphs 1 through 8 above as though fully set forth herein.

10. Plaintiff, on the one hand, and Defendants (and each of them), on the other hand, orally agreed that Plaintiff would deliver to non-party QUEST ACADEMY ("Quest") the items listed in Exhibit A in exchange for payment of $627,096.59, $178,377.89 of which was to be paid to Plaintiff prior to delivery of the items listed in Exhibit A, and the remainder to be paid in a reasonable amount of time after delivery of the items listed in Exhibit A.

11. Plaintiff performed all of its obligations under this oral agreement, except for those obligations which Plaintiff was excused from performing as a result of Defendants' conduct, specifically including, but not limited to, the delivery by Plaintiff to Quest (at Defendants' request) of goods valued at $627,096.59.

12. While Defendants have partially performed their obligations under this oral agreement by paying $178,377.89 to Plaintiff, Defendants, and each of them, have materially breached this oral agreement by failing and refusing to pay the remaining $448,718.70 due and owing under this oral agreement, demand for which is hereby made.

13. As a direct and proximate result of the material breach by Defendants, and each of them, as described herein, Plaintiff has been damaged in an amount according to proof at trial, but which Plaintiff believes to be in excess of $448,718.70.

14. In addition to recovery of the remaining principal amount due and owing under the oral agreement, Plaintiff also seeks pre-judgment interest upon the remaining principal amount due and owing, at the maximum legal rate, from August 26, 2014 to the time of entry of judgment.

## SECOND CAUSE OF ACTION
## BREACH OF WRITTEN CONTRACT
Against All Defendants

15. Plaintiff hereby incorporates Paragraphs 1 through 8 as though fully set forth herein.

16. Exhibits B-1 and B-2 constitute an offer by Plaintiff to Defendants to sell the items

listed therein to Defendants at the prices stated.

17. Exhibit A constitutes an acceptance of Plaintiff's offer, thus forming a binding written contract between Plaintiff, on the one hand, and Defendants, on the other hand.

18. Plaintiff has performed all or substantially all of its obligations under the contract described herein, except for those obligations which it was excused from performing by virtue of the conduct of Defendants, and each of them. Furthermore, all conditions precedent to Defendants' performance of their obligations under the written contract described herein have either occurred or have been waived by the parties, specifically including, but not limited to, the consummation of a lease between TEQ and Quest. As such, the entire remainder of the principal amount is currently due and owing under the written agreement herein described.

19. Defendants, and each of them, have committed a material breach of the written contract described herein by failing and refusing to pay the remaining principal amount of $448,718.70 currently due and owing under the written agreement described herein, demand for which is hereby made.

20. As a direct and proximate result of Defendants' material breach as herein described, Plaintiff has been damaged in an amount according to proof at trial, but which Plaintiff believes to be in excess of $448,718.70.

21. In addition to the principal amount due and owing under the written agreement, Plaintiff further seeks pre-judgment interest upon the principal amount due and owing at the maximum legal rate, from August 26, 2014, up to and including the date of entry of judgment.

22. The written agreement described herein provides for an award of reasonable attorney's fees and costs to the prevailing party.

## THIRD CAUSE OF ACTION
## BREACH OF IMPLIED-IN-FACT CONTRACT
Against All Defendants

23. Plaintiff hereby incorporates Paragraphs 1 through 8 as though fully set forth herein.

24. The exchange of the quotes (Exhibits B-1 and B-2 hereto) and the purchase order (Exhibit A hereto) between Plaintiff and Defendants, coupled with a down-payment by Defendant

to Plaintiff in the amount of $178,377.89, created a reasonable inference that Defendants, and each of them, promised to pay Plaintiff for the goods requested for purchase from Plaintiff by Defendants. Likewise, it was reasonable for Plaintiff to infer that the purchase order (Exhibit A) was a promise to pay for the goods delivered by Plaintiff to Quest at Defendants' express request.

25. Plaintiff has performed all of its obligations under the implied-in-fact contract herein described, except for those obligations which it was excused from performing as a result of Defendants' conduct.

26. Defendants, and each of them, have materially breached the implied-in-fact contract herein described, by failing and refusing to pay the remaining balance due under said contract, demand for which is herein made.

27. As a direct and proximate result of Defendants' material breach herein described, Plaintiff has been damaged in an amount according to proof at trial, but which Plaintiff believes to be in excess of $448,718.70.

28. In addition to the principal amount due and owing, Plaintiff also seeks an award of pre-judgment interest upon the principal amount remaining due and owing at the maximum legal rate, from August 26, 2014 until the time judgment is entered in this matter, as well as an award of attorney's fees.

## FOURTH CAUSE OF ACTION
## QUANTUM VALEBANT
Against All Defendants

29. Plaintiff hereby incorporates Paragraphs 1 through 8 as though fully set forth herein.

30. At Defendants' express request, Plaintiff sold to Defendants, and Defendants purchased from Plaintiff, various goods, the reasonable value of which shall be determined according to proof at trial, but which Plaintiff believes to be in excess of $627,096.59, based on Defendants' promise to pay $627,096.59 to Plaintiff.

31. Despite demand herein made, Defendants, and each of them, have failed and refused, and continue to fail and refuse, to fully pay for the goods sold by Plaintiff to Defendants, leaving $448,718.70 remaining due and owing. As a result, Plaintiff has been damaged in an

amount according to proof at trial, but which Plaintiff believes to be in excess of $448,718.70.

32. In addition to the principal amount due and owing as herein described, Plaintiff also requests pre-judgment interest from August 26, 2014 up to and including the date judgment is entered in this case, at the maximum rate allowed by law.

**FIFTH CAUSE OF ACTION**
**ACCOUNT STATED**
Against All Defendants

33. Plaintiff hereby incorporates Paragraphs 1 through 8 as though fully set forth herein.

34. On or about September 2, 2014, in or about Los Angeles County, California, there was an account stated between Plaintiff, on the one hand, and Defendants (and each of them), on the other hand, wherein it was found and agreed that $448,718.70 was a true and correct amount due and owing by Defendants, and each of them, to Plaintiff, and that Defendants (and each of them) promised to pay that amount to Plaintiff.

35. Despite the foregoing, Defendants, and each of them, have failed and refused to pay upon this account as stated, despite demand being made herein.

36. As a direct and proximate result of Defendants' refusal to pay as herein described, Plaintiff has been damaged in an amount according to proof at trial, but which Plaintiff believes to be in excess of $448,718.70.

37. In addition to the principal sum due and owing as herein described, Plaintiff seeks pre-judgment interest upon the principal amount due and owing, from August 26, 2014 up to the date judgment is entered in this action, at the maximum legal rate.

**SIXTH CAUSE OF ACTION**
**GOODS SOLD AND DELIVERED**
Against All Defendants

38. Plaintiff hereby incorporates Paragraphs 1 through 8 as though fully set forth herein.

39. At Defendants' express request, Plaintiff sold to Defendants, and Defendants purchased from Plaintiff, various goods, the value of which was fixed by and between Plaintiff, on the one hand, and Defendants (and each of them), on the other hand, at $627,096.59.

40. Despite demand herein made, Defendants, and each of them, have failed and refused, and continue to fail and refuse, to fully pay for the goods sold by Plaintiff to Defendants, leaving $448,718.70 remaining due and owing. As a result, Plaintiff has been damaged in an amount according to proof at trial, but which Plaintiff believes to be in excess of $448,718.70.

41. In addition to the principal amount due and owing as herein described, Plaintiff also requests pre-judgment interest from August 26, 2014 up to and including the date judgment is entered in this case, at the maximum rate allowed by law.

WHEREFORE, Plaintiff demands judgment as follows:

1. Monetary damages in an amount according to proof at trial, but which Plaintiff believes to be in excess of $448,718.70;
2. Pre-judgment interest at the maximum legal rate, from August 26, 2014 up to the date of entry of judgment;
3. Reasonable attorney's fees;
4. Costs of suit incurred; and
5. Such other and further relief as the Court may deem just and proper in this action.

Dated: March 10, 2015

GARDENER & RIECHMANN, INC.
Attorneys at Law

By:_____
MICHAEL J. RIECHMANN
Attorneys for Plaintiff HERTZ FURNITURE SYSTEMS, LLC

# EXHIBIT "A"

23801 Calabasas Road, Suite 101
Calabasas, CA 91302
Phone: (818) 222-1006
Fax: (818) 222-1516
www.teqlease.com

**TEQlease Purchase Order No.** 412-001

**Date of Purchase Order** May 28, 2014

| | |
|---|---|
| **VENDOR:**<br>Hertz Furniture Systems<br>95 McKee Drive<br>Mahwah, NJ 07430<br><br>Attn: Jennifer Urogi<br>e-mail: jennifer@hertzfurniture.com<br>Phone: | **Quote No.** 542990-000 & 542997-000<br><br>**TEQlease Account No.** 412-001 |
| **BILL TO:**<br>TEQLEASE, INC.<br>23801 Calabasas Road<br>Suite 101<br>Calabasas, CA 91302<br><br>Attn: Russ Runnalls<br>Phone: 818/222-1006<br>Fax: 818/222-1516<br>e-mail: rrunnalls@teqlease.com | **SHIP TO:**<br>Quest Academy Preparatory Education Charter School<br>7495 W. Azure Dr., Ste 250<br>Las Vegas, NV 89149<br><br>Azure Campus - 7845 W. Azure Drive, Las Vegas 89109<br><br>Bridger Campus - 1300 E. Bridger, Las Vegas 89101<br><br>Contact: Karen Zeh<br>Phone: 702-515-4021<br>e-mail: K.Zeh@QuestAcademyLV.com |

| Qty | Equipment Description | Unit Price | Extended Price |
|---|---|---|---|
| 1 | School Furniture & Equipment per Quote No. 542997-000 for Azure Campus | $291,849.96 | $291,849.96 |
| 1 | School Furniture & Equipment per Quote No. 542990-000 for Bridger Campus | $238,135.73 | $238,135.73 |
| | | $0.00 | $0.00 |
| | | $0.00 | $0.00 |

| | |
|---|---|
| SUBTOTAL | $529,985.69 |
| SALES TAX | $0.00 |
| SHIPPING/ HANDLING | $99,037.95 |
| TOTAL | $629,023.64 |

## INSTRUCTIONS TO VENDOR

1. Unless otherwise specified herein, this Purchase Order is for new merchandise only. **INVOICE MUST INDICATE "ALL EQUIPMENT IS NEW."**
2. Original invoices must be mailed to Buyer indicating that the Equipment is being sold to Buyer at our address, and shipped to the Lessee at its address. If sales tax is a component of the invoice, please **indicate on the invoice your State resale number** for the Lessee's resident state. Payment terms are net 30 days.
3. Show this Purchase Order No. on all crates, items, packages, invoices and packing lists.
4. If terms are F.O.B., ship collect to Lessee shown above, who has agreed to pay all transportation charges.
5. This Purchase Order is governed by the terms and conditions delineated at www.teqlease.com.
6. This Purchase Order is subject to receipt of all properly executed finance documentation and advance fees.
7. This Purchase Order will expire on 7/28/14

Authorized:
TEQlease, Inc.

By: Russell Runnalls, CLP
Title: Buyer

Date: May 28, 2014

ELFA MEMBER

**EXHIBIT "A"**

23801 Calabasas Road, Suite 101 • Calabasas, CA 91302
Phone: (818) 222-1006



# Terms & Conditions of Purchase

1. **THE PURCHASE ORDER** expires on the date set forth in the Purchase Order. If all of the merchandise has not been delivered, assembled, installed and accepted by Lessee within this date, Buyer may, at its option, terminate the Purchase Order and all obligations to Vendor, and recover any deposit(s) made to Vendor plus interest at 18% APR.
2. **NO CHANGES AUTHORIZED.** The Purchase Order must be accepted as written. Any increase in price, change in quantities or quality of merchandise ordered or any other change of terms and conditions of the Purchase Order shall not be binding on the Buyer unless such change is agreed to in writing. Delivery must be in accordance with the conditions outlined in the Purchase Order, and unless otherwise specifically noted therein, Vendor is to deliver the merchandise f.o.b. common carrier, destined as therein indicated. No charges for crating, boxing, packing or drayage, or for unloading, assembling or installing any merchandise will be allowed or payable unless specified in the Purchase Order. If the Buyer has not indicated any preference for the method of shipment, then the merchandise shall be shipped in the cheapest way, and the Buyer may charge back transportation charges in excess of the cheapest rate of shipment.
3. **INSPECTION AND REJECTION.** All merchandise shall be received subject to Buyer's and/or Lessee's inspection and rejection, either before or after delivery thereof. The place and time of inspection shall be determined by Buyer. Merchandise, which is defective or otherwise not in accordance with the Purchase Order, may be returned for credit and Vendor shall assume all transportation and handling charges in connection therewith. Rejected merchandise shall not be replaced except upon Buyer's specific instructions in writing to that effect. If Lessee rejects or refuses to accept any merchandise pursuant to the Purchase Order, Buyer shall be relieved of any liability to Vendor under the Purchase Order as to such merchandise. Vendor shall immediately refund any deposits received from Buyer plus interest at 18% APR, and all obligations of Buyer hereunder as to such merchandise shall, upon such rejection or refusal, be deemed those of*Lessee*, with the same force and effect as if Lessee, instead of Buyer, had placed the Purchase Order as to such merchandise, and Vendor in such event, shall look only to Lessee with respect to any liability or obligation hereunder.
4. **RISK OF LOSS.** All risk of loss, damage, theft or destruction, partial or complete, to the merchandise, incurred or occasioned by any cause, circumstance or event of whatever nature, will be borne by Vendor until physical delivery of the merchandise to Lessee and Lessee's written acceptance thereof, and will be borne by Vendor on all rejected merchandise.
5. **DELIVERY TO BE MADE TO LESSEE.** The person, firm or corporation to which the merchandise covered by the Purchase Order is to be delivered has leased said merchandise from the Buyer, and is herein referred to as "Lessee." Lessee is authorized on behalf of the Buyer to receive delivery of such merchandise, to inspect, and to reject same, or accept same SUBJECT TO: (a) a signed delivery and acceptance receipt, in form supplied by or acceptable to Buyer, signed by all parties designated by Buyer; (b) a verbal acknowledgment to Buyer by Lessee that the merchandise has been delivered and accepted; and (c) subject to all Lease documents covering said merchandise being fully and correctly executed by Lessee as prescribed by Buyer, together with the receipt of all advance rentals by Buyer, from Lessee, as stipulated by subject Lease Rental Agreement. In the case of multiple (more than one) suppliers of merchandise covered by said Lease Agreement, it is understood and mutually agreed by Lessee, Buyer and all Vendors that payment of invoices to all Vendors shall not be made until the completion of merchandise delivery by all Vendors involved in said Lease Rental Agreement.
6. **ASSIGNMENT.** Vendor will not, without Buyer's prior written consent, assign the Purchase Order by its own act or by operation of law or otherwise and any such attempted assignment will be void. In the event Vendor attempts to assign the Purchase Order, Buyer may, but will not be obligated to do so, cancel the Purchase Order and all of Buyer's obligations hereunder. Buyer may, without Vendor's consent, assign the Purchase Order or any interest herein.
7. **CANCELLATION.** The Purchase Order and all of Buyer's obligations hereunder may be canceled (at any time or times hereafter) by Buyer, at its election, in the event that: (i) Lessee (or the person or persons signing on behalf of Lessee) is not authorized to enter into with Buyer (as Lessor) that certain Lease Agreement pertaining to the merchandise; or (ii) Vendor, or any of its agents, employees, officers or directors, makes any misrepresentations to Buyer or Lessee relative to the equipment or the terms of the Purchase Order; or (iii) Lessee does not pay to Buyer, when due and payable, the advance rental payment(s) to be paid under the aforesaid Lease Agreement; or (iv) all Lease documents have not been fully and properly executed by Lessee as prescribed by Buyer or have not been returned to Buyer; or (v) Lessee does not have adequate insurance coverage; or (vi) Lessee does not (or is unable to) accept delivery of the merchandise or Lessee rejects the merchandise; or (vii) Vendor does not deliver the merchandise pursuant to the terms outlined in the Purchase Order; or (viii) Lessee's financial or credit situation has changed such that Buyer's risk as Lessor has materially changed and/or Buyer as Lessor deems itself insecure.
8. **INDEMNITY.** Vendor agrees to indemnify, protect and hold harmless Buyer, its successors or assigns and the Lessee and its successors and assigns against all claims, demand, damages, costs or expenses (including attorney's fees) arising out of the manufacture and/or delivery of the merchandise, and for actual or alleged infringements of any patent covering any merchandise hereby ordered or the use thereof.
9. **FAIR LABOR ASSURANCE.** Vendor warrants and represents that the merchandise ordered hereby has been produced in compliance with the requirements of the Fair Labor Standards Act of 1938, as amended.
10. **WARRANTIES BY VENDOR.** Vendor represents and warrants that it is the owner of and has good title to the merchandise and has not conveyed any interest therein to Lessee; that upon acceptance of the merchandise by Lessee, absolute title thereto shall pass to Buyer free and clear of all liens,

claims, security interests, and encumbrances of any nature whatsoever; that the equipment and/or services that are the subject of the Purchase Order are being sold in the Vendor's ordinary course of business; that the merchandise will conform to any specifications provided to or by Lessee or Buyer; that the merchandise will be fit and is sufficient for the purpose intended; and that the merchandise will be merchantable, of good quality and free from defects in material and workmanship. If the Lease Application and Lease Agreement which gives rise to the Purchase Order were obtained by Vendor, Vendor represents and warrants that such documents are genuine and have been validly executed by Lessee, and Vendor acknowledges that Vendor acted on its own behalf or on behalf of Lessee and not on behalf of Buyer. Vendor agrees to honor and comply with all of its warranties, express and implied, as to the merchandise and any services to be provided in connection therewith, made to Lessee and/or Buyer. No merchandise, parts, mechanisms or devices made according to Buyer's or Lessee's designs and specifications will be sold by Vendor to any other person. The foregoing warranties are in addition to and not in lieu of any and all warranties, express or implied.

11. **EXCUSABLE DELAYS.** Vendor will not be responsible for delays in delivery if occasioned by an unforeseeable cause beyond the control and without the fault or negligence of the Vendor, and Buyer shall not be responsible for failure to receive or take delivery if occasioned by any like cause on its or Lessee's part.
12. **VENDOR REPRESENTS AND WARRANTS** that no payments or other consideration have been or will be paid to or received by Vendor or Lessee or any other person as a direct or indirect result of Buyer's purchase of the merchandise unless so indicated herein.
13. **VENDOR WILL BE PAID WITHIN THIRTY (30) WORKING DAYS OF THE RECEIPT OF ALL PROPERLY EXECUTED LEASE DOCUMENTATION AND UPON LESSEE'S WRITTEN AND VERBAL ACCEPTANCE OF THE MERCHANDISE.**
14. **THE VENUE OF ANY COURT ACTION ARISING FROM THE PURCHASE ORDER SHALL BE THE LOS ANGELES JUDICIAL DISTRICT. BUYER'S ATTORNEY FEES AND COSTS OF ENFORCEMENT SHALL BE REIMBURSED WHETHER OR NOT ANY LEGAL PROCEEDING IS COMMENCED.**
15. **SUBSEQUENT EVENTS.** Any events that occur that result in increased charge(s) to Buyer or Buyer's account resulting from our ownership of the merchandise, such as by example but not limited to, technical support, returned item charges, equipment additions or substitutions, etcetera, shall be billed and collected directly from the Lessee indicated herein. Invoices sent to Buyer for such charges will be forwarded to Lessee but it will be the Vendor's responsibility to collect on these charges. Vendor will indemnify Buyer against any damage to Buyer's credit resulting from these charges being incorrectly billed to Buyer.

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# EXHIBIT "B-1"

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

| Quote Number | Q U O T A T I O N | Date | Page |
|---|---|---|---|
| 542997-000 | | 5/19/14 | 1 |

Customer:
TEQlease, Inc.
Bruce Fornatoro
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Las Vegas,NV 91302
U.S.A.

Ship To:
Quest Academy - Azure Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|

***This quote is valid for 30 days from the date entered ***

Hertz products come with a dual limited lifetime/25-year warranty - see www.HertzFurniture.com/customer-service.html for details.
To check the status of your order, please visit us at: www.HertzFurniture.com/OrderStatus
**********
**** Please note that Hertz Furniture will be closed on ****
********** June 4th and June 5th. **********
**********

| | | | | | |
|---|---|---|---|---|---|
| 30.00 | VBA-46<br>6'x4' Vinyl Bulletin Board<br>w/Alum. Frame | EA | | 115.0000 | 3,450.00 |
| 22.00 | VBA-48<br>8'x4' Vinyl Bulletin Board<br>w/Alum. Frame | EA | | 149.0000 | 3,278.00 |
| 428.00 | INS-718<br>18"H Inspiration Value<br>Classroom Chair | EA | | 43.9500 | 18,810.60 |

Shell Color: Ocean Blue

Continued . . .

EXHIBIT "B-1"

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

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Quote Number 542997-000

QUOTATION

Date 5/19/14

Page 2

Customer:
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U.S.A.

Entered..: 3/20/14
Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 13.00 | WAD-1800 Wheelchair Accessible School Desk - Laminate | EA | | 131.9500 | 1,715.35 |
| | Laminate Top Color: | | Wild Cherry | | |
| 2.00 | WAD-1800 Wheelchair Accessible School Desk - Laminate | EA | | 131.9500 | 263.90 |
| | Laminate Top Color: | | Gray Nebula | | |
| 360.00 | PET-BOOK Wire Book Rack for Petal Desk | EA | | 28.0000 | 10,080.00 |
| | Color: | | Black | | |
| 13.00 | ACD-2468RP Deluxe Nate Teacher's Station with Removable Pedestal | EA | | 1,139.0000 | 14,807.00 |
| | High-Pressure Laminate Top: | | Wild Cherry | | |
| | Frame Color: | | Onyx | | |
| | Return Location: | | Right Side | | |

Continued . . .

HERTZ FURNITURE
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| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542997-000 | | 5/19/14 | 3 |

Customer:
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Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 2.00 | ACD-2468RP<br>Deluxe Nate Teacher's Station with Removable Pedestal | EA | | 1,139.0000 | 2,278.00 |
| | High-Pressure Laminate Top: | | Gray Nebula | | |
| | Frame Color: | | Onyx | | |
| | Return Location: | | Right Side | | |
| 180.00 | GS-2460ADJ<br>60x24 Group-Study Rectangular Table | EA | | 116.0000 | 20,880.00 |
| | Top: | | Wild Cherry | | |
| 36.00 | PET-1900HPC<br>Colored Petal Classroom Desk with Hard Plastic Top | EA | | 204.9500 | 7,378.20 |
| | Height Option: | | Standard Height | | |
| | Desktop Color: | | Gray Nebula | | |
| | Leg/Glide Color: | | Tungsten | | |
| | Frame Color: | | Black | | |

Continued . . .

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| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542997-000 | | 5/19/14 | 4 |

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Attn.: Maurice 702-399-7851
Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 4.00 | ACD-3048<br>Nate Junior Single-Pedestal Teacher's Desk | EA | | 487.0000 | 1,948.00 |
| | High-Pressure Laminate Top: | | Fusion Maple | | |
| | Frame Color: | | Onyx | | |
| 1.00 | ACD-3048<br>Nate Junior Single-Pedestal Teacher's Desk | EA | | 487.0000 | 487.00 |
| | High-Pressure Laminate Top: | | Wild Cherry | | |
| | Frame Color: | | Onyx | | |
| 4.00 | INS-658D<br>Inspiration Swivel Drafting Stool | EA | | 133.9500 | 535.80 |
| | Shell Color: | | Black Beauty | | |

Continued . . .

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PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
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Quote Number 542997-000

# QUOTATION

Date 5/19/14

Page 5

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Attn.: Maurice 702-399-7851
Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14
Cust P.O....: Azure

Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 32.00 | ACB-96D<br>All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | EA | | 999.0000 | 31,968.00 |
| 1.00 | ACB-96D<br>MODIFIED ADA | EA | | 999.0000 | 999.00 |
| 1.00 | DRY-2440<br>18"x24" Port-O-Rack Drying Rack - 40 Shelves | EA | | 650.0000 | 650.00 |
| 2.00 | 999<br>374S HD Mobile STG Black | EA | | 1,173.0000 | 2,346.00 |
| 1.00 | 999<br>3620-27 COT MEDICAL WOOD LEG Navy | EA | | 201.8000 | 201.80 |
| 6.00 | DVM-4751K<br>Mobile Tote Tray Storage | EA | | 1,369.0000 | 8,214.00 |
| 2.00 | DVR-4342<br>54"Wx30"D Extra-Large Mobile Demo Center | EA | | 2,049.0000 | 4,098.00 |
| 1.00 | DVR-4342F<br>54"Wx30"D Extra Large Mobile Demo Center with Flat Top | EA | | 1,599.0000 | 1,599.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542997-000 | | 5/19/14 | 6 |

Customer:
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2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 43.00 | MZE-3000<br>The Maze Office Chair<br>Black | EA | | 139.0000 | 5,977.00 |
| 2.00 | 999<br>7011 Guest Chair<br>Black | EA | | 102.9300 | 205.86 |
| 1.00 | 999<br>CDU-3220 CIRCULATION DESK ADA<br>36W | EA | | 990.0000 | 990.00 |
| 1.00 | 999<br>BT-D39 CIRC DESK BOOK TRUCK | EA | | 925.0000 | 925.00 |
| 1.00 | 999<br>CDU-3902 CIR DESK PATRON DESK<br>36WX39H | EA | | 937.0000 | 937.00 |
| 2.00 | 999<br>QSD-48S LIB SHELF 23.75X37X48H | EA | | 683.0000 | 1,366.00 |
| 1.00 | 999<br>QP-7212-A FUSION LIB SHELF<br>12X36X82H PERIODICAL ADDER | EA | | 531.0000 | 531.00 |
| 2.00 | 999<br>OPV-48 DF PARTITION 48H | EA | | 61.0000 | 122.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
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| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542997-000 | | 5/19/14 | 7 |

Customer:
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818-222-1006 Ext 203
Las Vegas,NV 91302
U.S.A.

Ship To:
Quest Academy - Azure Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 16.00 | 999<br>OVB-72 SF BACK PANEL LIB SHELF<br>72H | EA | | 93.0000 | 1,488.00 |
| 2.00 | RWD-CART<br>Titan Cart | EA | | 145.0000 | 290.00 |
| 13.00 | 999<br>QSS-72-A FUSION LIB SHELF<br>12X37X72H | EA | | 342.0000 | 4,446.00 |
| 2.00 | 999<br>QSS-72-S FUSION LIB SHELF<br>12X37X72H STARTER | EA | | 450.0000 | 900.00 |
| 1.00 | 999<br>CDU-3218 CIRC DESK END PANEL<br>32H | EA | | 237.0000 | 237.00 |
| 50.00 | 999<br>5833CUSTOM Storage Unit W/LOCK<br>ING Door Cubby QTE#39868-Cognc | EA | | 795.0000 | 39,750.00 |
| 14.00 | 999<br>5833CUSTOM Storage Unit W/LOCK<br>ING Door Cubby QTE#39868-Black | EA | | 795.0000 | 11,130.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

Quote Number 542997-000

QUOTATION

Date 5/19/14

Page 8

Customer:
TEQlease, Inc.
Bruce Fornatoro
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Las Vegas,NV 91302
U.S.A.

Ship To:
Quest Academy - Azure Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 12.00 | 999 3MM1-5866 Wardrobe Storage Unit Cognac | EA | | 707.0000 | 8,484.00 |
| 5.00 | 999 3MM1-5866 Wardrobe Storage Unit Black | EA | | 707.0000 | 3,535.00 |
| 4.00 | 999 5832 Storage Cabinet Cognac | EA | | 635.0000 | 2,540.00 |
| 2.00 | CTM-72SB 4-Shelf Bookcase with Solid Back Cognac | EA | | 274.0000 | 548.00 |
| 3.00 | 999 665A-665C/190/24/665C/191/24 Cubicle Corner Section-Cognac | EA | | 1,950.0000 | 5,850.00 |
| 1.00 | 999 MAN5-239BT Bowfront Office Desk 36x72 Cognac | EA | | 753.0000 | 753.00 |
| 1.00 | 999 3MM1-5003/4X(MOD 42W) Bridge Office Desk Cognac | EA | | 205.0000 | 205.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
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Quote Number 542997-000 | QUOTATION | Date 5/19/14 | Page 9

Customer:
TEQlease, Inc.
Bruce Fornatoro
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Ship To:
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Attn.: Maurice 702-399-7851
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U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | 999<br>MAN5-268BT Desk, Office<br>Credenza, BBF (RH) Cognac | EA | | 650.0000 | 650.00 |
| 1.00 | 999<br>MAN5-5732BTDO Office Desk<br>16x72, Hutch Cognac | EA | | 825.0000 | 825.00 |
| 1.00 | 999<br>CUSTOM TABLE TO SEAT 11 PEOPLE<br>CANDEX QUOTE #138130 Cognac | EA | | 5,800.0000 | 5,800.00 |
| 1.00 | 999<br>#mm2-555/#mm2-538 Teacher<br>Mailbox, 30 Black | EA | | 997.0000 | 997.00 |
| 1.00 | 999<br>CTM-48R Round Table 42D<br>Cognac | EA | | 352.0000 | 352.00 |
| 5.00 | 999<br>577-3MM1 Lateral File 4 Drawer<br>Cognac | EA | | 895.0000 | 4,475.00 |
| 8.00 | 999<br>S1831K4/S0785T1 Tablet Arm<br>Chair Starter Grade 10 BLUE | EA | | 1,081.0000 | 8,648.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
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| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542997-000 | | 5/19/14 | 10 |

Customer:
TEQlease, Inc.
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Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 2.00 | MYS-1006<br>Mystic 3-Seat Bench<br>Cobalt Replay/Chrome | EA | | 678.0000 | 1,356.00 |
| 1.00 | 999<br>S1831K4 Chair w/Arms<br>Grade 10-Cobalt Replay/Chrome | EA | | 942.0000 | 942.00 |
| 1.00 | 999<br>S3831K4 Sofa w/Arms<br>Grade 10-Cobalt Replay/Chrome | EA | | 1,758.0000 | 1,758.00 |
| 1.00 | 999<br>S3831K4 Sofa w/Arms<br>Grade 10-Turquise Replay/Chrom | EA | | 1,758.0000 | 1,758.00 |
| 1.00 | MYS-1285<br>Mystic End Table | EA | | 164.0000 | 164.00 |
| 18.00 | MYS-1802C<br>Mystic Stacking Guest Chair w/<br>Casters Turquise Replay/Chrome | EA | | 289.0000 | 5,202.00 |
| 3.00 | MYS-1772S<br>Mystic 72x36" Conference<br>Table with Shelf Walnut/Chrome | EA | | 699.0000 | 2,097.00 |

Continued . . .

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PO BOX 803
MAHWAH, NJ 07430

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Quote Number 542997-000 | QUOTATION | Date 5/19/14 | Page 11

Customer:
TEQlease, Inc.
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Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 15.00 | FNG-2460<br>60"Lx24"W Flip N Go Training Table | EA | | 416.0000 | 6,240.00 |
| | Tabletop Color: | | Folkstone | | |
| 96.00 | ZST-6624N<br>24"H Seat Heavy-Duty Z-Stool without Backrest | EA | | 87.9500 | 8,443.20 |
| 28.00 | NMS-82<br>Music Stand, Height and Angle Adjustable | EA | | 38.0000 | 1,064.00 |
| 2.00 | NMS-CART20<br>Music Stand Cart for 20 Stands | EA | | 329.0000 | 658.00 |
| 1.00 | 999<br>55296 DESK RECEPTION CIRCULAR Cherry | EA | | 5,499.8000 | 5,499.80 |
| 91.00 | 999<br>211T CHAIR TABLET ARM ADDER Blue | EA | | 187.0000 | 17,017.00 |
| 19.00 | 999<br>212T CHAIR TABLET ARM | EA | | 260.0000 | 4,940.00 |

Continued . . .

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Quote Number 542997-000 | QUOTATION | Date 5/19/14 | Page 12

Customer:
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Attn.: Maurice 702-399-7851
Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | ESL-612PA<br>Vision Sound Lectern with Built-In LCD Screen | EA | | 699.0000 | 699.00 |
| | Laminate Color: | | Wild Cherry | | |
| 1.00 | 999<br>CDR-3905 FUS CIRC DEDK LIBRARY BOOK RETURN | EA | | 852.0000 | 852.00 |
| 1.00 | 999<br>CDR-3916 FUS CIRC DESK LIB CORNER UNIT | EA | | 1,030.0000 | 1,030.00 |
| 3.00 | 999<br>RW3643CAFE TABLE LIB CAFE 36"D Blue Base/Lt Cherry/Pewter Bru | EA | | 775.2000 | 2,325.60 |
| 24.00 | 999<br>RW-FF18WB Library Chair | EA | | 137.4000 | 3,297.60 |
| 6.00 | 999<br>RW-FF29WB Library Chair, Bar Stool | EA | | 182.9500 | 1,097.70 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

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Quote Number 542997-000 | QUOTATION | Date 5/19/14 | Page 13

Customer:
TEQlease, Inc.
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Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 6.00 | 999<br>PS-294R01 MOD 30"D Metal Legs Activity Table 30x60 | EA | | 631.5500 | 3,789.30 |
| 2.00 | SLP-48C<br>Sandusky 24-Laptop Charging Cart with Timer | EA | | 1,219.0000 | 2,438.00 |
| 1.00 | ATM-874<br>36"Wx24"Dx78"H Mobile Cabinet Full Height | EA | | 639.0000 | 639.00 |
| 24.00 | SBT-4260PHH<br>60"Lx42"W 36H Solid Phenolic Top | EA | | 849.0000 | 20,376.00 |
| 1.00 | MBR-440<br>4'x6' Mobile Porcelain Music and Cork Board Alum Frame | EA | | 719.0000 | 719.00 |
| 4.00 | SPI-375<br>60"W Spirit Display Case | EA | | 2,249.0000 | 8,996.00 |
| 1.00 | SBT-83060H<br>60"Lx30"W 36H Science-Bio Table | EA | | 327.0000 | 327.00 |

Continued . . .

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PO BOX 803
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| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542997-000 | | 5/19/14 | 14 |

Customer:
TEQlease, Inc.
Bruce Fornatoro
23801 Calabasas Road, Ste. 101
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Las Vegas,NV 91302
U.S.A.

Ship To:
Quest Academy - Azure Campus
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2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
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U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | FREIGHT<br>Tailgate Delivery charge | EA | | 23,883.6300 | 23,883.63 |
| 1.00 | INSTAL<br>DELIVERY SETUP AND REMOVAL OF ALL DEBRIS | EA | | 29,245.0000 | 29,245.00 |

Re. Financing: Remit $180k up front, then fund the balance

within 10 days of accepting certificate of acceptance from

TEQlease, Inc., as agreed.

| | |
|---|---|
| Material Total: | 405,798.34 |
| Discount: | 60,869.75 |
| Subtotal: | 344,928.59 |
| Total Quote: | 344,928.59 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542997-000 | | 5/19/14 | 15 |

Customer:
TEQlease, Inc.
Bruce Fornatoro
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Las Vegas,NV 91302
U.S.A.

Ship To:
Quest Academy - Azure Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
Las Vegas,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Azure

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|

We do our best to make sure that your order is correct. Please review this order to confirm that the model #, color, quantity, size and price are correct. If all the information is accurate, please sign and fax back to me.
If there is a discrepancy, please call me so that we may correct the error and process your order.

I understand that this is a custom order and that no changes can be made once the order is placed.

I have read and understand the terms and conditions listed above.

Sign: David Olive Name: David Olive

Date: 5/22/14

Alt Phone # (Mobile or work) _____

## Terms and Conditions

1. Steps to take at time of delivery to protect against loss or damage.
   a. Verify count - make sure you are receiving as many cartons as are listed on the carrier's delivery receipt. If there is a discrepancy, note it on the receipt and have the driver note it on your copy.
   b. Examine Each Carton For Damage - note visible damage on the carrier's delivery receipt. Be specific, e.g., 'cartons crushed', or 'carton has a hole in it'. If cartons are severely damaged, do not accept shipment.
   c. Open Damaged Cartons Immediately - and inspect with the driver. All concealed damage must be noted on carrier's delivery receipt and on your copy. Retain your copy and advise Hertz Furniture immediately. You have the right to accept a partial shipment and refuse damaged items.
   d. Immediately After Delivery - open all cartons and inspect for concealed damage. Hertz Furniture will only accept responsibility if cartons are opened and a claim is made within 3 days of delivery.

2. Steps to take when visible or concealed damage is discovered
   a. Retain Damaged Items - at the point of delivery along with all packaging material until Carrier Inspection.
   b. Report Concealed Damage to Hertz Furniture Immediately - all claims must be made within 3 days of delivery.
   c. Document All Correspondence in Writing - and provide pictures of of damaged containers and merchandise.

3. Steps to take when carrier inspects damaged items
   a. Carefully Read the Inspection Report Before Signing It - if you do do not agree with facts or conclusions made by the inspector, do not sign it.
   b. Forward Your Copy of the Inspection Report to Hertz Furniture - a freight claim will be filed on your behalf. If we are notified within 10 days of delivery and all criteria are met, Hertz Furniture will process a no-charge replacement order for you.
   c. Retain Damaged Merchandise in Original Cartons - Hertz Furniture will advise you of the disposition of the damaged item when the claim is settled. You must make the item available for salvage pickup.

4. Payment
   a. If you have an open invoice with Hertz Furniture, payment is due 30 days after the date of invoice.
   b. You are required to pay for products received but not for those on backorder.
   c. Delinquent accounts are subject to a 1.5% monthly interest fee plus legal and collection fees.
   d. Jurisdiction for all legal issues will be the court system of the State of New Jersey.

5. Returns
   a. No returns will be accepted without written consent from Hertz Furniture's Customer Service Department. Restocking and return freight charges may apply.

Version 2011.1.6.11

# EXHIBIT "B-2"

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542990-000 | | 5/19/14 | 1 |

Customer:
TEQlease, Inc.
Bruce Fornatoro
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Las Vegas,NV 91302
U.S.A.

Ship To:
Quest Academy - Bridger Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Bridger

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|

***This quote is valid for 30 days from the date entered ***

Hertz products come with a dual limited lifetime/25-year warranty - see www.HertzFurniture.com/customer-service.html for details.
To check the status of your order, please visit us at:
www.HertzFurniture.com/OrderStatus
**********
**** Please note that Hertz Furniture will be closed on ****
********** June 4th and June 5th. **********
**********

| | | | | | |
|---|---|---|---|---|---|
| 44.00 | VBA-46<br>6'x4' Vinyl Bulletin Board<br>w/Alum. Frame | EA | | 115.0000 | 5,060.00 |
| | Color: | | Stone | | |
| 21.00 | SYN-4896<br>4'x8' Syncoat Magnetic<br>Markerboard | EA | | 229.0000 | 4,809.00 |
| 2.00 | VBA-48<br>8'x4' Vinyl Bulletin Board<br>w/Alum. Frame | EA | | 149.0000 | 298.00 |

Continued . . .

EXHIBIT "B-2"

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

| Quote Number | QUOTATION | Date | Page |
|---|---|---|---|
| 542990-000 | | 5/19/14 | 2 |

Customer:
TEQlease, Inc.
Bruce Fornatoro
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Las Vegas,NV 91302
U.S.A.

Ship To:
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2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Bridger

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 408.00 | INS-718<br>18"H Inspiration Value Classroom Chair | EA | | 43.9500 | 17,931.60 |
| | Shell Color: | | Ocean Blue | | |
| 19.00 | WAD-1800<br>Wheelchair Accessible School Desk - Laminate | EA | | 131.9500 | 2,507.05 |
| | Laminate Top Color: | | Wild Cherry | | |
| 2.00 | WAD-1800<br>Wheelchair Accessible School Desk - Laminate | EA | | 131.9500 | 263.90 |
| | Laminate Top Color: | | Gray Nebula | | |
| 18.00 | ACD-2468RP<br>Deluxe Nate Teacher's Station with Removable Pedestal | EA | | 1,139.0000 | 20,502.00 |
| | High-Pressure Laminate Top: | | Wild Cherry | | |
| | Frame Color: | | Onyx | | |
| | Return Location: | | Right Side | | |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

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Phone: 800-526-4677
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Quote Number 542990-000 | QUOTATION | Date 5/19/14 | Page 3

Customer:
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LAS VEGAS,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Bridger

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 2.00 | ACD-2468RP<br>Deluxe Nate Teacher's Station with Removable Pedestal | EA | | 1,139.0000 | 2,278.00 |
| | High-Pressure Laminate Top: | | Gray Nebula | | |
| | Frame Color: | | Onyx | | |
| | Return Location: | | Right Side | | |
| 6.00 | GS-3048ADJ<br>48x30 Group-Study Rectangular Table | EA | | 114.0000 | 684.00 |
| | Top: | | Wild Cherry | | |
| 270.00 | GS-2460ADJ<br>60x24 Group-Study Rectangular Table | EA | | 116.0000 | 31,320.00 |
| | Top: | | Wild Cherry | | |

Continued . . .

HERTZ FURNITURE
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Quote Number 542990-000 | QUOTATION | Date 5/19/14 | Page 4

Customer:
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LAS VEGAS,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Bridger

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 36.00 | PET-1900HPC<br>Colored Petal Classroom Desk with Hard Plastic Top | EA | | 204.9500 | 7,378.20 |
| | Height Option: | | Standard Height | | |
| | Desktop Color: | | Gray Nebula | | |
| | Leg/Glide Color: | | Tungsten | | |
| | Frame Color: | | Black | | |
| 1.00 | ACD-3048<br>Nate Junior Single-Pedestal Teacher's Desk | EA | | 487.0000 | 487.00 |
| | High-Pressure Laminate Top: | | Fusion Maple | | |
| | Frame Color: | | Onyx | | |
| 1.00 | INS-658D<br>Inspiration Swivel Drafting Stool | EA | | 133.9500 | 133.95 |
| | Shell Color: | | Black Beauty | | |

Continued . . .

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Quote Number
542990-000

QUOTATION

Date
5/19/14



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U.S.A.

Entered..: 3/20/14
Cust P.O....: Bridger

Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 102.00 | INS-714<br>14"H Inspiration Value Classroom Chair | EA | | 38.5500 | 3,932.10 |
| | Shell Color: | | Ocean Blue | | |
| 218.00 | INS-716<br>15.5"H Inspiration Value Classroom Chair | EA | | 42.9500 | 9,363.10 |
| | Shell Color: | | Ocean Blue | | |
| 12.00 | GS-4872ADJ<br>21-29"H Group-Study Kidney Shaped Table | EA | | 199.0000 | 2,388.00 |
| | Top: | | Wild Cherry | | |
| 46.00 | ACB-96D<br>All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | EA | | 999.0000 | 45,954.00 |
| | Custom Logo: | | No Custom Logo | | |

Continued . . .

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| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | DRY-2440<br>18"x24" Port-O-Rack Drying Rack - 40 Shelves | EA | | 650.0000 | 650.00 |
| 2.00 | 999<br>374S HD MOBILE STG Cognac | EA | | 1,173.0000 | 2,346.00 |
| 6.00 | CBB-6135<br>35in. Childrens Bean Bag | EA | | 65.0000 | 390.00 |
| 1.00 | 999<br>3620-27 Medical Cot 27W Wood Leg Navy | EA | | 201.8000 | 201.80 |
| 28.00 | MZE-3000<br>The Maze Office Chair | EA | | 139.0000 | 3,892.00 |
| 1.00 | ULT-3902<br>Ultima Patron Desk w/Recessed Worksurface/Lght Cherry/Blk | EA | | 937.0000 | 937.00 |
| 1.00 | ULT-D32<br>Ultima Depressible Book Truck Light Cherry/Black | EA | | 925.0000 | 925.00 |
| 1.00 | ULT-3220<br>Ultima ADA Desk Light Cherry/Black | EA | | 990.0000 | 990.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

Quote Number
542990-000

# Q U O T A T I O N

Date
5/19/14



Customer:
TEQlease, Inc.
Bruce Fornatoro
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Las Vegas,NV 91302
U.S.A.

Ship To:
Quest Academy - Bridger Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered...: 3/20/14
Cust P.O....: Bridger
Salesperson.: Shane Ronay

| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 3.00 | 999<br>QSD-48-S LIB SHELF 23.75X75X37<br>X48H STARTER | EA | | 683.0000 | 2,049.00 |
| 6.00 | 999<br>OVP-48 LIB SHelf, DF Patron<br>Desk 36Wx39H | EA | | 61.0000 | 366.00 |
| 7.00 | 999<br>OVB-72 LIB Shelf,SF Back Panel<br>72H | EA | | 93.0000 | 651.00 |
| 9.00 | RWD-CART<br>Titan Cart | EA | | 145.0000 | 1,305.00 |
| 4.00 | 999<br>QSS-72-A LIB SHELF ADDER<br>12X36X72H FUSION | EA | | 342.0000 | 1,368.00 |
| 2.00 | 999<br>QSS-72-S LIB SHELF STARTER<br>12X37X72H | EA | | 450.0000 | 900.00 |
| 1.00 | 999<br>CDU-3218 Circ Desk, End Panel<br>32H | EA | | 237.0000 | 237.00 |

Continued . . .

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Page 8

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U.S.A.

Entered..: 3/20/14
Cust P.O....: Bridger
Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 13.00 | 999<br>OVB-42 Library Shelf SF Back Panel 42H | EA | | 50.0000 | 650.00 |
| 3.00 | 999<br>DS-243631/A-TC Mobile Base Library Book Bin Display | EA | | 865.0000 | 2,595.00 |
| 7.00 | 999<br>QSS-42-A FUSION LIB SHELF 12X36X42H ADDER | EA | | 229.0000 | 1,603.00 |
| 4.00 | 999<br>QAP-4812-A FUSION LIB SHELF 12X36X48H PICT BOOK ADDER | EA | | 275.0000 | 1,100.00 |
| 1.00 | 999<br>QSS-42-S STARTER FUSION 12X37X 42H | EA | | 275.0000 | 275.00 |
| 1.00 | 999<br>QAP-4224-S PICT BOOK STARTER | EA | | 319.0000 | 319.00 |
| 3.00 | 999<br>QSD-48-A LIB SHELF 23.75X36X48 H ADDER | EA | | 512.0000 | 1,536.00 |

Continued . . .

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U.S.A.

Entered..: 3/20/14
Cust P.O....: Bridger

Salesperson.: Shane Ronay

| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | 999<br>QP-7212-S FUSION LIB SHELF 12X<br>37X72H PERIODICAL STARTER | EA | | 600.0000 | 600.00 |
| 2.00 | 999<br>PS-78PT TABLE LIBRARY SLOPE<br>TOP READING 31X78 | EA | | 1,298.0000 | 2,596.00 |
| 76.00 | 999<br>STORAGE UNIT LOCKING DOOR<br>CUBBY quote#39868 -Cognac | EA | | 795.0000 | 60,420.00 |
| 4.00 | 999<br>STORAGE UNIT LOCKING DOOR<br>CUBBY quote#39868 - Black | EA | | 795.0000 | 3,180.00 |
| 19.00 | 999<br>3MM1-5866 STORAGE UNIT<br>WARDROBE - Cognac | EA | | 707.0000 | 13,433.00 |
| 2.00 | 999<br>3MM1-5866 STORAGE UNIT<br>WARDROBE - Black | EA | | 707.0000 | 1,414.00 |
| 1.00 | 999<br>3MM2-555/MAILBOX-TEACHER,30<br>3MM2-538 Black | EA | | 997.0000 | 997.00 |

Continued . . .

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Entered..: 3/20/14
Cust P.O....: Bridger

Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 3.00 | 999<br>5860 Reception, Curved Bench<br>Grade 9/Crypton Replay-Turquis | EA | | 1,269.2500 | 3,807.75 |
| 2.00 | 999<br>5836V Reception, Curved Table<br>Grade 9/Crypton Replay-Turquis | EA | | 676.3500 | 1,352.70 |
| 6.00 | 999<br>S1831K4/S0785T1 Tablet Arm<br>Chair Starter Grade 10 /Black | EA | | 1,081.0000 | 6,486.00 |
| 1.00 | MYS-1772S<br>Mystic 72x36" Conference<br>Table with Shelf/Walnut/Chrome | EA | | 699.0000 | 699.00 |
| 15.00 | FNG-2460<br>60"Lx24"W Flip N Go Training<br>Table | EA | | 416.0000 | 6,240.00 |
| | Tabletop Color: | | Folkstone | | |
| 1.00 | 999<br>CDR-3905 Library Circ Desk<br>Book Return /Lght Cherry/Black | EA | | 852.0000 | 852.00 |

Continued . . .

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Phone: 800-526-4677
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Quote Number 542990-000

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2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 3/20/14 Salesperson.: Shane Ronay
Cust P.O....: Bridger

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | 999<br>CDR-3916 Library Circ Desk, Corner Unit/Light Cherry/Black | EA | | 1,030.0000 | 1,030.00 |
| 1.00 | ATM-874<br>36"Wx24"Dx78"H Mobile Cabinet Full Height | EA | | 639.0000 | 639.00 |
| 1.00 | MBR-440<br>4'x6' Mobile Porcelain Music and Cork Board Alum Frame | EA | | 719.0000 | 719.00 |
| 1.00 | TRR-430N<br>Jumbo Rocker Natural | EA | | 179.0000 | 179.00 |
| 7.00 | JOY-1430D<br>7'8"x10'9" Lots of Dots Rectangle Carpet | EA | | 389.0000 | 2,723.00 |
| 1.00 | SBT-83060H<br>60"Lx30"W 36H Science-Bio Table | EA | | 327.0000 | 327.00 |
| 1.00 | INSTAL<br>DELIVERY SETUP AND REMOVAL OF ALL DEBRIS | EA | | 24,415.0000 | 24,415.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

Quote Number 542990-000

QUOTATION

Date 5/19/14



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Las Vegas,NV 91302
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2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 3/20/14
Cust P.O....: Bridger

Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | FREIGHT<br>Tailgate Delivery charge | EA | | 21,544.3200 | 21,544.32 |

Re. Financing: Remit $180k up front, then fund the balance

within 10 days of accepting certificate of acceptance from

TEQlease, Inc., as agreed.

| | |
|---|---|
| Material Total: | 334,229.47 |
| Discount: | 50,134.42 |
| Subtotal: | 284,095.05 |
| Total Quote: | 284,095.05 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

Quote Number
542990-000

QUOTATION

Date
5/19/14

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13

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Entered..: 3/20/14
Cust P.O....: Bridger

Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|

We do our best to make sure that your order is correct. Please review this order to confirm that the model #, color, quantity, size and price are correct. If all the information is accurate, please sign and fax back to me.
If there is a discrepancy, please call me so that we may correct the error and process your order.

I understand that this is a custom order and that no changes can be made once the order is placed.

I have read and understand the terms and conditions listed above.

Sign: David Olive

Name: David Olive

Date: 5/22/14

Alt Phone # (Mobile or work) _____

Terms and Conditions

1. Steps to take at time of delivery to protect against loss or damage.
   a. Verify count - make sure you are receiving as many cartons as are listed on the carrier's delivery receipt. If there is a discrepancy, note it on the receipt and have the driver note it on your copy.
   b. Examine Each Carton For Damage - note visible damage on the carrier's delivery receipt. Be specific, e.g., 'cartons crushed', or 'carton has a hole in it'. If cartons are severely damaged, do not accept shipment.
   c. Open Damaged Cartons Immediately - and inspect with the driver. All concealed damage must be noted on carrier's delivery receipt and on your copy. Retain your copy and advise Hertz Furniture immediately. You have the right to accept a partial shipment and refuse damaged items.
   d. Immediately After Delivery - open all cartons and inspect for concealed damage. Hertz Furniture will only accept responsibility if cartons are opened and a claim is made within 3 days of delivery.

2. Steps to take when visible or concealed damage is discovered
   a. Retain Damaged Items - at the point of delivery along with all packaging material until Carrier Inspection.
   b. Report Concealed Damage to Hertz Furniture Immediately - all claims must be made within 3 days of delivery.
   c. Document All Correspondence in Writing - and provide pictures of of damaged containers and merchandise.

3. Steps to take when carrier inspects damaged items
   a. Carefully Read the Inspection Report Before Signing It - if you do do not agree with facts or conclusions made by the inspector, do not sign it.
   b. Forward Your Copy of the Inspection Report to Hertz Furniture - a freight claim will be filed on your behalf. If we are notified within 10 days of delivery and all criteria are met, Hertz Furniture will process a no-charge replacement order for you.
   c. Retain Damaged Merchandise in Original Cartons - Hertz Furniture will advise you of the disposition of the damaged item when the claim is settled. You must make the item available for salvage pickup.

4. Payment
   a. If you have an open invoice with Hertz Furniture, payment is due 30 days after the date of invoice.
   b. You are required to pay for products received but not for those on backorder.
   c. Delinquent accounts are subject to a 1.5% monthly interest fee plus legal and collection fees.
   d. Jurisdiction for all legal issues will be the court system of the State of New Jersey.

5. Returns
   a. No returns will be accepted without written consent from Hertz Furniture's Customer Service Department. Restocking and return freight charges may apply.

Version 2011.1.6.11

**(PROOF OF SERVICE - 1013a, 2015.5 C.C.P.)**

STATE OF CALIFORNIA )
) ss.
COUNTY OF ORANGE )

I am the resident of/employed in the county aforesaid; I am over the age of 18 years and not a party to the within entitled action; my business address is 1806 North Broadway, Suite A, Santa Ana, CA 92706-2626; P.O. Box 11723, Santa Ana, CA 92711-1723.

On March 11, 2015, I served the document attached here to or provided herewith, namely:

**NOTICE OF ELECTION TO FILE FIRST AMENDED COMPLAINT IN LIEU OF OPPOSITION TO DEMURRER; and FIRST AMENDED COMPLAINT,**

as follows:

_X_ (BY MAIL) By placing a true copy thereof enclosed in a sealed envelope, with postage thereon fully prepaid to be placed in the U.S. mail at Santa Ana, California, addressed as set forth below. I am readily familiar with my employer's practice for collection and processing correspondence for mailing. It is deposited with the U.S. Postal Service on the same day as the day of collection in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than 1 day after date of deposit for mailing in affidavit.

____ (BY FACSIMILE) I personally sent to the addressee's facsimile number a true copy of the above-described document(s).

____ (BY PERSONAL SERVICE) I personally delivered a true copy of the above-described document(s) to the person and at the address as set forth below.

____ (BY OVERNIGHT DELIVERY) A true copy of the above-described document(s) was/were placed in a sealed envelope, with delivery fees provided for, and delivered in the ordinary course of business to an overnight delivery carrier, addressed to the person(s) on whom it is to be served.

ADDRESSES:

ANDREW K. ALPER, Esq.
FRANDZEL ROBINS BLOOM & CSATO, LC
6500 WILSHIRE BLVD., 17th FLOOR
LOS ANGELES, CA 90048

I certify or declare, under penalty of perjury of the laws of the State of California, that the foregoing is true and correct.

Executed on March 11, 2015, at Santa Ana, California.

Liza Negrete

LIZA NEGRETE

RECEIVED
MAR 13 2015
Frandzel Robins Bloom & Csato

US POS
$ 02.
First-
Mailed From 92706
03/11/2015
032A 0061825837

# First Class Mail

GARDENER & RIECHMANN, INC.
ATTORNEYS AT LAW
P.O. BOX 11723
SANTA ANA, CALIFORNIA 92711-1723
1806 N. BROADWAY, SUITE A
SANTA ANA, CALIFORNIA 92706

RECEIVED

MAR 13 2015

Frandzel Robins Bloom & Csato

ANDREW K. ALPER, Esq.
FRANDZEL ROBINS BLOOM & CSATO, LC
6500 WILSHIRE BLVD., 17th FLOOR
LOS ANGELES, CA 90048

299

# Appendix K

Andrew K. Alper (State Bar No. 088876)
aalper@frandzel.com
FRANDZEL ROBINS BLOOM & CSATO, L.C.
6500 Wilshire Boulevard
Seventeenth Floor
Los Angeles, California 90048-4920
Telephone: (323) 852-1000
Facsimile: (323) 651-2577

Attorneys for Defendant TEQLEASE, INC.

ORIGINAL FILED
APR 06 2015
LOS ANGELES
SUPERIOR COURT

**SUPERIOR COURT OF CALIFORNIA**

**COUNTY OF LOS ANGELES, NORTHWEST DISTRICT**

| | |
|---|---|
| HERTZ FURNITURE SYSTEMS, LLC, a limited liability corporation aka HERTZ FURNITURE,<br><br>Plaintiff,<br><br>v.<br><br>TEQLEASE, INC., a corporation aka TEQlease, DOES 1 TO 10,<br><br>Defendants. | CASE No. LC102485<br><br>**NOTICE OF HEARING ON DEMURRERS OF DEFENDANT TEQLEASE, INC. TO FIRST AMENDED COMPLAINT; DEMURRERS; MEMORANDUM OF POINTS AND AUTHORITIES**<br><br>Date: March 14, 2016<br>Time: 8:30 A.M.<br>Dept.: Q<br>**RES ID: 150401045782**<br><br>Action Filed: December 31, 2014<br>Trial Date: TBD |

TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that on March 14, 2016, at 8:30 a.m., or as soon thereafter as counsel can be heard, in Department Q of the above-entitled Court, located at 6230 Sylmar Avenue, Van Nuys, California 91401, the Court will hear the Demurrers of Defendant TEQLease, Inc., a California corporation, to the First Amended Complaint of the Plaintiff.

The Demurrers, attached hereto, will be based upon California Code of Civil Procedure sections 430.10(e) and (f), this Notice, the attached Memorandum of Points and Authorities, and upon all pleadings, documents and records on file in this action and such other and further materials as may be produced at the hearing hereof.

DATED: April 1, 2015

FRANDZEL ROBINS BLOOM & CSATO, L.C.

By: _____
ANDREW K. ALPER
Attorneys for Defendant TEQLEASE, INC.

## DEMURRERS

TEQLease, Inc., a California corporation ("TEQLease"), respectfully submits the following Demurrers to the causes of action of the First Amended Complaint of Plaintiff Hertz Furniture Systems, LLC, a limited liability corporation aka Hertz Furniture ("Plaintiff"):

DEMURRER NO. 1:

The first cause of action fails to state facts sufficient to constitute a cause of action by Plaintiff against TEQLease for breach of oral contract pursuant to Code of Civil Procedure section 430.10(e).)

DEMURRER NO. 2:

The first cause of action for breach of oral contract is uncertain pursuant to Code of Civil Procedure section 430.10(f) in that paragraph 11 states that Plaintiff performed all of its obligations under the oral agreement except for those obligations which Plaintiff was excused from performing. However, TEQLease has no idea as to what obligations Plaintiff was excused from performing and the paragraph located on page 3, lines 10-13 is vague and ambiguous. Plaintiff needs to state which obligations it contends it was excused from performing and why.

In addition to the foregoing, paragraph 12, page 3, lines 14-17 is vague and ambiguous because TEQLease does not know what Plaintiff partially performed and what Plaintiff contends it did not partially perform. TEQLease also does not know what material breaches prevented the Defendants from fully performing whatever it did or did not perform. Therefore, the first cause of action is vague, ambiguous, and uncertain.

DEMURRER NO. 3:

The second cause of action fails to state facts sufficient to constitute a cause of action by Plaintiff against TEQLease for breach of written contract pursuant to Code of Civil Procedure section 430.10(e).

DEMURRER NO. 4:

The second cause of action is uncertain pursuant to Code of Civil Procedure section 430.10(f) in that page 4, paragraph 18, lines 4-10 allege that Plaintiff has performed all or

substantially all of its obligations under the contract except for those obligations which it was excused from performing by virtue of the conduct of Defendants, and each of them. It further contends that all conditions precedent to the performance of their obligations have either occurred or have been waived by the parties, specifically including, but not limited to, the consummation of a lease between TEQ and Quest. This paragraph is vague, ambiguous, and uncertain in that TEQLease has no idea as to what Plaintiff contends what conditions it performed or substantially performed and what the substantial performance was. TEQLease has no idea as to what obligations Plaintiff was excused from performing and what the conduct of Defendants, and each of them, was that prevented such performance. TEQLease does not know what conditions precedent were waived by TEQLease and, if waived, whether such waiver was oral and/or in writing. Given that the written contract attached as Exhibit A to the Frist Amended Complaint requires any and all modifications to be in writing, Plaintiff has failed to state which obligations under the written contract were waived in writing and has failed to attach any such writing. Therefore these allegations are vague, ambiguous and uncertain.

DEMURRER NO. 5:

The third cause of action for breach of implied-in-fact contract fails to state facts sufficient to constitute a cause of action pursuant to Code of Civil Procedure section 430.10(e).

DEMURRER NO. 6:

The third cause of action for breach of implied-in-fact contract is uncertain pursuant to Code of Civil Procedure section 430.10(f) in that on page 5, paragraph 25, lines 5-7 it is alleged that Plaintiff has performed all of its obligations except for those obligations which it was excused from performing as a result of Defendants' conduct. TEQLease has no idea as to what obligations were excused from performance by Plaintiff. TEQLease also has no idea as to what the Defendants' conduct was that prevented performance or resulted in an excuse for non-performance. Therefore, the allegation is vague, ambiguous, and uncertain.

DEMURRER NO. 7:

The fourth cause of action fails to state facts sufficient to constitute a cause of action pursuant to Code of Civil Procedure section 430.10(e).

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(323) 852-1000

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DEMURRER NO. 8:

The fourth cause of action is uncertain pursuant to Code of Civil Procedure section 430.10(f) in that TEQLease does not know how the fourth cause of action stands separate and apart from the written contracts referred to in paragraphs 7 and 8 of the General Allegations which are incorporated by reference as a matter of fact or law.

DEMURRER NO. 9:

The fifth cause of action fails to state facts sufficient to constitute a cause of action pursuant to Code of Civil Procedure section 430.10(e).

DEMURRER NO. 10:

The fifth cause of action is uncertain pursuant to Code of Civil Procedure section 430.10(f) because nowhere in the cause of action does it attach any documents of any kind reflecting an account stated which is required to be attached to demonstrate the account stated.

DEMURRER NO. 11:

The sixth cause of action fails to state facts sufficient to constitute a cause of action pursuant to Code of Civil Procedure section 430.10(e).

DEMURRER NO. 12:

The sixth cause of action is uncertain pursuant to Code of Civil Procedure section 430.10(f) in that it cannot stand by itself since it contradicts the terms of the written contracts which are incorporated into the cause of action by reference in paragraphs 7 and 8.

WHEREFORE, Defendant, TEQLease, Inc. prays judgment as follows:

1. That the Demurrers be sustained without leave to amend;

2. For judgment of dismissal with prejudice;

3. For reasonable attorneys' fees incurred herein to the extent recoverable by any contract or law;

4. For costs of suit incurred herein; and

5. For such other and further relief as this Court deems just and proper.

DATED: April 1, 2015

FRANDZEL ROBINS BLOOM & CSATO, L.C.

By: _____
ANDREW K. ALPER
Attorneys for Defendant TEQLEASE, INC.

FRANDZEL ROBINS BLOOM & CSATO, L.C.
6500 WILSHIRE BOULEVARD, 17TH FLOOR
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## MEMORANDUM OF POINTS AND AUTHORITIES

TEQLease, Inc. ("TEQLease") submits this Memorandum of Points and Authorities in support of its Demurrers to the First Amended Complaint of Hertz Furniture Systems, LLC, a limited liability corporation aka Hertz Furniture ("Plaintiff").

## I. INTRODUCTION

The First Amended Complaint, is the second attempt by Plaintiff to state a cause of action against TEQLease which has no basis in fact or law. Plaintiff attaches certain documents as exhibits which directly contradict the allegations set forth in the First Amended Complaint. In addition, the First Amended Complaint does not in any way, shape or form portray the true facts regarding this matter and that is why it is so contrived, vague and ambiguous. While TEQLease understands that a demurrer tests the sufficiency of the facts or allegations set forth in the First Amended Complaint as a matter of law, nevertheless the true facts will be stated below so that the Court can better understand why this First Amended Complaint is so vague, ambiguous, uncertain, fails to discuss the performance of conditions precedent or the excuse for nonperformance by stating any facts. and does not state facts to constitute a cause of action.

## II. FACTUAL BACKGROUND

TEQLease is in the business of leasing equipment and making loans secured by equipment. TEQLease's proposed lessee, Quest Academy Preparatory Education ("Quest"), requested that TEQLease acquire furniture and related equipment from Plaintiff on its behalf to lease to Quest. TEQLease is a finance lessor as that term is defined in Commercial Code section 10103(a)(7) in that it does not select, manufacture or supply the goods it leases; it acquires the goods and the right to possession and use of the goods in connection with a lease; and the lessee essentially approves any supply contracts and the delivery and installation of equipment since it is the lessee who has selected the equipment and the user of the equipment. Thus, Quest requested that TEQLease acquire leased equipment and furniture ("goods") from Plaintiff. The goods are shipped by the supplier or vendor directly to the lessee. Typically, a lessor will not fund a lease until the goods are delivered, installed, operational, and accepted for all purposes by its lessee. Obviously, the lessor must also evaluate the credit of the lessee and the contemplated transaction before it decides

if it will enter into the lease with the lessee.

In this situation, and as can be seen by Exhibit A to the First Amended Complaint, TEQLease submitted a Purchase Order for the goods to Plaintiff at the request of Quest. For the purpose of this Demurrer, the important terms of that Purchase Order are as follows:

On Page 1, number 7: "This Purchase Order will expire on 7/28/14". The Purchase Order was dated May 28, 2014.

On Page 2, the Purchase Order specifically states that the Purchase Order expires on the date set forth in the Purchase Order. If all of the merchandise has not been delivered, assembled, installed and accepted by lessee within this date, buyer [TEQLease] may, at its option, terminate the Purchase Order and all obligations to vendor and recover any deposit made to vendor plus interest at 18% APR.

**NO CHANGES AUTHORIZED.** The Purchase Order must be accepted as written. Any increase in price, change in quantities, or quality of merchandise ordered or any other change of terms and conditions of the Purchase Order shall not be binding on the Buyer unless such change is agreed in writing. . . .

3. **INSPECTION AND REJECTION**. All merchandise shall be received subject to Buyer's and/or lessee's inspection and rejection, either before or after delivery thereof. The place and time of inspection shall be determined by Buyer. . . . If Lessee rejects or refuses to accept any merchandise pursuant to the Purchase Order, Buyer will be relieved of any liability to vendor under the Purchase Order. . .and vendor in such event shall look only to lessee with respect to any liability or obligation hereunder.

7. **CANCELLATION**. "The Purchase Order and all of Buyer's obligations hereunder may be cancelled (at any time or at times hereafter) by Buyer, at its election, in the event that: . . . (iv) all leased documents have not been fully and properly executed by lessee as prescribed by Buyer or have not been returned to Buyer. . .or (vii) vendor does not deliver merchandise pursuant to the terms outlined in the Purchase Order; or (viii) lessee's financial or credit situation has changed such that Buyer's risk as lessor has materially changed and/or Buyer as lessor deems itself insecure."

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Although there are other relevant terms, for purpose of this Demurrer these terms are extremely important. As the Court can also see, Exhibit B-1 to the First Amended Complaint sets forth "Quotations" with respect to the goods which were to be the subject of the lease. The amount to be paid under the Purchase Order was $629,023.64. The First Amended Complaint fails to attach any other documents which in any way change, alter, or modify the terms of the Purchase Order as required to be done pursuant to the terms of the Purchase Order attached as exhibit A to the First Amended Complaint. The First Amended Complaint also fails to attach any account statements, bills or any other documents sent to TEQLease by Plaintiff to reflect any account stated.

The lease was never entered into by and between TEQLease and Quest. Quest executed a Master Lease Agreement No. 412 and Schedule 001. TEQlease never executed this lease agreement. In contemplation of the lease being entered into, Quest made the first annual payment to TEQLease of $178,377.89. The terms of the contemplated lease required yearly payments. That $178,377.89 payment was sent by Quest to TEQLease which then sent the Quest payment directly to Plaintiff. As the Court can see from the allegations of the First Amended Complaint, Plaintiff tacitly acknowledges receipt of the sum of $178,377.89 and reduces the alleged amount due to $448,718.70 (see, e.g., paragraphs 10, 12, 13, 24, 30, 31, 39 and 40 of the First Amended Complaint). In other places Plaintiff attempts to cleverly avoid discussing the receipt of this sum but instead reduced the amount due from $627,096.59 to $448,718.70. This change in pleading from the Complaint to the First Amended Complaint is an attempt to defray the Court from the fact that the written Contract, Exhibit A never stated one word about paying the $178,377.89. In the original Complaint, it was stated that there was an oral agreement between the parties to pay the first $178,377.89.

In any event, as can be seen from the Purchase Order, the amount due was $629,023.64 and, subtracting the $178,377.89 from that sum, the amount due is $451,645.75. Yet, the amount asked for in the First Amended Complaint is $448,718.70 and there is no explanation in the First Amended Complaint about the difference in the invoices versus the amount asked for the First Amended Complaint. .

Although Plaintiff may have shipped equipment, what the First Amended Complaint fails to state is that the equipment was shipped in a timely manner in accordance with the terms of the Purchase Order, was received, and was verified by Quest prior to the expiration date in the Purchase Order which was July 28, 2014 . This is because it was not until November, 2014, that TEQLease and Quest were finally able to verify that most, but not all, of the equipment was received.

As the Court can see from the allegations of the First Amended Complaint, Plaintiff simply alleges that it performed all conditions, covenants and promises required by it on its part to be performed in accordance with Defendant's Purchase Order and oral agreements but does not attach any documents nor state any facts relative to when and how it performed. As the Court will recall from the Purchase Order, the Purchase Order was only effective through July 28, 2014, but the equipment that was received was not verified as being received until November, 2014. Plaintiff also states that it was excused from performance of conditions precedent or that TEQLease waived such conditions or that TEQLease's wrongful conduct prevented performance but there is not one fact alleged as to what the wrongful conduct was, what conditions were not performed or excused performance or what conditions precedent were waived and if waived then any agreement reflecting such waiver.

Another condition of the Purchase Order between TEQLease and Plaintiff was that it was not effective until a lease was entered into. A lease was never entered into by TEQLease with Quest. Once again, Plaintiff does not attach a copy of any signed lease between the TEQLease and Quest because no such signed lease exists. This was another condition precedent.

Finally, Plaintiff also omits from the First Amended Complaint an extremely important fact which was a condition precedent to the effectiveness of the Purchase Order. At the time that the lease was applied for by Quest, it was represented to Plaintiff by Quest that Quest had made a profit of $200,000.00 during its fiscal year ended June 30, 2014. TEQLease finally received the independent auditor's financial statement from TEQLease in November, 2014, reflecting its financial condition. The financial statement showed that Quest had actually lost $535,364.00 rather than operating at a profit of $200,000.00 as represented. Thus, Quest had misrepresented its

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financial condition to TEQLease. and TEQLease would thereafter not enter into any lease with Quest. Plaintiff is well aware of that fact yet ignores it in the pleading. As the Court will recall, the Purchase Order states that the lease may be canceled if Quest's financial or credit situation has changed such that buyer's risk as lessor is materially changed and/or buyer as lessor deems itself insecure. Clearly this was a material change in Quest's financial condition and that is a major reason why no lease was entered into.

Therefore, because (a) the equipment was not delivered, installed, inspected, and deemed operational prior to July 28, 2014; (b) that the lease was never entered into; and (c) because of the material change in financial condition if not an out and out misrepresentation of fact by Quest, the conditions precedent to the Purchase Order becoming enforceable bars any recovery against TEQLease.

## III. CONTENT OF THE FIRST AMENDED COMPLAINT

The First Amended Complaint has six causes of action. The first cause of action for breach of oral contract states that there was an oral agreement to pay $448,718.70 which included an oral down payment of $178,377.89. Paragraph 8, however, specifically attaches the Purchase Order which directly contradicts any such oral agreements. The second cause of action is for breach of written contract. The third cause of action is for breach of implied-in-fact contract which incorporates the contentions from the General Allegations which demonstrates there is a written contract, not an implied-in-fact contract. The fourth cause of action is for quantum valebant, the sixth cause of action is for goods sold and delivered which is the same as quantum valebant, and the fifth cause of action is for account stated without any documents reflecting the account stated. However, the terms of the Purchase Order are incorporated into each of these three causes of action. As discussed below, these causes of action are both factually and legally insufficient.

## IV. DEMURRERS MUST BE SUSTAINED TO ALL CAUSES OF ACTION

Under Code of Civil Procedure section 430.10(e), a defendant may demur where the complaint "does not state facts sufficient to constitute a cause of action." Statements that are vague, conclusory and void of factual specifics are insufficient to survive a demurrer. (*Rakestraw*

*v. California Physicians Service* (2000) 81 Cal.App.4th 39, 44 (2000).) A demurrer for failure to state facts sufficient to constitute a cause of action should be sustained where the pleading does not "contain a statement of facts which, without the aid of other conjectured facts not stated shows a complete cause of action." (*Baldwin v. Marina City Prop., Inc.* (1978) 79 Cal.App.3d 393, 409.) When evaluating the sufficiency of a pleading on demurrer, a court must admit "all properly pleaded facts," but the court need not accept "contentions, deductions, or conclusions of fact or law." (*Building Indus. Assn. v. Marin Mun. Water Dist.* (1992) 235 Cal.App.3d 1641, 1645.)

A special demurrer under Code of Civil Procedure section 430.10(f) for uncertainty should be sustained if "the pleading is uncertain . . .", e.g., where the facts are alleged in the complaint with insufficient clarity that the defendant cannot reasonably respond, *i.e.*, he or she cannot reasonably determine what issues must be admitted or denied. (*Khoury v. Maly's of California, Inc.* (1993) 14 Cal.App.4th 612, 616; *see Ankeny v. Lockheed Missiles & Space Co.* (1979) 88 Cal.App.3d 531, 537 (demurrer sustained for "uncertainty" where material facts left for defendant to "surmise").

A. **<u>The First Cause of Action for Beach of Oral Contract Fails to State Facts Sufficient to Constitute a Cause of Action.</u>**

The crux of Plaintiff's First Amended Complaint is that it sold goods at the request of TEQLease (with delivery to third-party Quest Academy) pursuant to an alleged oral agreement by TEQLease to make a down payment to Plaintiff in the amount of $178,337.89 followed by an "oral agreement to pay the remaining balance owing for the furniture that plaintiff shipped after receiving the required document payment . . . ." (¶¶ 7, 8 and 10.) However, Plaintiff's breach of oral contract claim is barred by Commercial Code section 2201 because Plaintiff alleges the sale of goods in the amount for more than $500.00. Section 2201 provides:

(1) Except as otherwise provided in this section a contract for the sale of goods for the price of five hundred dollars ($500) or more is not enforceable by way of action or defense unless there is some writing sufficient to indicate that a contract for sale has been made between the parties and signed by the party against whom enforcement is sought because a contract for the sale of goods for the price of $500.00 or more . . . .

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Plaintiff's first cause of action therefore fails as a matter of law because the alleged contract is oral, and, further, Plaintiff does not allege any applicable exception to the writing requirement under Section 2201. Although Plaintiff alleges that it shipped goods after receipt of the deposit of $178,377.89, this allegation in of itself does not result in Plaintiff alleging a viable cause of action. While Commercial Code section 2201(3)(c) provides an exception to enforcing a contract that does not satisfy the writing requirements under Section 2201(a), the exception is only "[w]ith respect to goods for which payment has been made and accepted or which have been received and accepted." Accordingly, the alleged payment of $178,377.89 does not validate Plaintiff's claim for the alleged delivery of equipment in the amount of $448,718.70. (*See* Comm. Code. § 2201, Comment 7 (transaction is validated only to portion of goods for which payment has been made and accepted or which have been received or accepted). Moreover, there is no allegation that the goods valued at $488,718.70 were received and accepted by TEQLease or third-party Quest.

Therefore, as with any contract cause of action, the performance of conditions precedent is an element of a cause of action which must be plead with particularity. (See *Reichert v. General Insurance Company of America* (1968) 68 Cal.2d 822, 830.) In addition, the vague wordsmithing of the First Amended Complaint with respect to performance of conditions precedent is not acceptable. Plaintiff simply says in vague and ambiguous language that it was excused from performing as a result of Defendants' conduct (see ¶11). The First Amended Complaint then goes on to state that Defendants have partially performed their obligations under the oral agreement. However, TEQLease does not know what obligations Plaintiff was excused from performing; what Defendants conduct caused the Plaintiff not to perform and gave them an excuse from performance; and what conditions were partially performed and not partially performed. Therefore, the First Amended Complaint fails to state facts sufficient to constitute a cause of action for that reason in and of itself.

In addition, the oral contract is specifically at odds with the Purchase Order contract which is in writing. It is elementary and axiomatic that in order to plead breach of contract, there must be a contract with essential terms pleaded or, in the case of written contract, the contract should be

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attached (see *Snyder v. United Properties Co.* (1921) 53 CA 428, 431; *Gilmore v. Lychoming Fire Ins. Co.* (1880) 55 C. 123, 124). Where an oral contract is plead, a Complaint is subject to a general demurrer if the allegations fail to show the nature of the contract with certainty (see *Adkins v. Model Laundry Co.* (1928) 92 CA 575, 580; *Hays v. Temple* (1937) 23 CA2d 690, 692). Moreover, the Court has long recognized the rule that where the allegations of the Complaint conflict with the terms of a written contract, the allegations will be deemed to be stricken and disregarded as a matter of law (see, e.g., *Stoddard v. Treadwell* (1864) 26 C. 294, 303; *Alphonzo E. Belcorp v. Bell View Oil Syndicate* (1941) 46 CA2d 684, 691). Given the lack of specificity with the oral contract combined with the conflict in terms between the oral and written contract, it is clear that this cause of action fails as a matter of law. Besides the foregoing, it is clear that the contract cannot be varied by any oral agreements. As stated in Civil Code section 1698(c) "unless the contract otherwise expressly provides, a contract in writing may be modified by an oral agreement supported by new consideration. The statute of frauds (section 1624) is required to be satisfied if the contract is modified as within its provisions." The contract is a fully integrated document. Subdivision (c) retains the requirement of the rule in *D.L. Godbey & Sons Construction Co. v. Deane*, 39 Cal.2d 429 (1952) that any oral modification must be supported by new consideration. Nowhere is there any discussion of new consideration for any alleged oral modification of the written contract. Therefore, it is clear that the cause of action for breach of oral contract which directly conflicts with the terms of the written contract cannot state facts sufficient to constitute a cause of action.

B. **<u>The Second Cause of Action for Breach of Written Contract Fails to State Facts Sufficient to Constitute a Cause of Action</u>**.

Paragraphs 16 and 17 state that the Exhibit "A" Purchase Order is the contract at the prices stated in the Exhibit "B" invoices. This cause of action is substantially different than in the initial Complaint as Plaintiff appears to be moving its facts around to attempt to set forth a cause of action. Originally, in the Complaint, it was alleged that a down payment of $178,377.89 was made towards a purchase price of $629,023.64 pursuant to an oral agreement of the parties. Now knowing that the oral agreement is not enforceable since it contradicts the terms of the written

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agreements, Plaintiff plays a game and simply contends that the sum of $448,718.70 is due and payable without reference to the down payment. Meantime, Plaintiff cannot avoid the terms of the Agreements.

This also is an elementary principle of law that in order to plead a cause of action for breach of contract, in addition to alleging (1) the contract, (2) plaintiff's performance or excuse for non-performance, and (3) damages, a plaintiff also must allege (4) the defendant's breach. (*Reichert v. General Insurance Company of America* (1968) 68 Cal.2d 822, 830.) Here, Plaintiff's conclusory allegations that TEQLease breached the "contract" is premised upon, without any supporting allegation whatosever, that TEQLease entered into a lease and that such documents were properly executed, which, by the express terms of the Purchase Order, are conditions precedent to the Purchase Order being accepted. (*See* Exh. "A", page 1 at Instruction no. 6.) As such, even if Complaint sufficiently alleges the existence of a written contract, Plaintiff has failed to allege that TEQLease breached the contract because there are no averments that all conditions precedent to any obligation by TEQLease to pay the alleged balance due has occurred. (*See Britschgi v. McCall* (1953) 41 Cal.2d 138, 144 (1953); 1 Witkin, *Summary of California Law*, Contracts (10th Ed.) § 778, pp. 867-68.)

Further, by its terms, the Purchase Order expired on July 28, 2014. There is no allegation that Plaintiff performed under the terms of the "contract" by delivering the equipment and furniture <u>before</u> the Purchase Order expired by its own terms. Plaintiff only alleges that it shipped the goods at some unspecified date and, as the Court now knows, it was not shipped, received and accounted for until November, 2014, after the Purchase Order expired. For this reason alone, there is no breach sufficiently pled by Plaintiff.

The most damaging part of the breach of written contract cause of action is once again the lack of proper pleading with performance of conditions precedent. In paragraph 18 of the First Amended Complaint, once again it is stated by Plaintiff that certain obligations were excused because of the conduct of TEQLease. TEQLease has no idea as to what its wrongful conduct was nor, more importantly, does it know which obligations were excused. Was the excuse not having to deliver the equipment within 60 days? Was entering into a lease with Quest also waived by

TEQLease even though without a lease there would be no reason for TEQLease to acquire furniture and equipment for a school? If so, where are the writings in that regard? It is stated that all conditions precedent to the performance of obligations under the contract have either occurred or have been waived. Yet, any such waiver must be in writing and must be stated. Consequently, the second cause of action fails to state facts sufficient to constitute a cause of action since Plaintiff has failed to plead the requisite performance for enforcing the contract or some excuse as to why they did not have to perform.

C. **The Third Cause of Action for Breach of Implied-in-Fact Contract Fails to State Facts Sufficient to Constitute a Cause of Action**.

A cause of action for breach of implied contract has the same elements as a cause of action for breach of contract, except that the promise is not expressed in words but is implied from the promisor's conduct. (*Yari v. Producers Guild of America, Inc.* (2008) 161 Cal.App.4th 172, 182.) Again, the elements or breach of contract are (1) the contract, (2) plaintiff's performance or excuse for non-performance, (3) defendant's breach, and (4) damages. (*Reichert,* 68 Cal.2d at 830.) "An implied contract … in no less degree than an express contract, must be founded upon an ascertained agreement of the parties to perform it, the substantial difference between the two being the mere mode of proof by which they are to be respectively established … Although an implied in fact contract may be inferred from the conduct, situation or mutual relation of the parties, the very heart of this kind of agreement is an intent to promise." (*Zenith Insurance Company v. O'Connor* (2007) 148 Cal.App.4th 998, 1010 (2007) (internal quotations and citations omitted).) A complaint based on implied contract must allege facts showing conduct from which a promise may be inferred. (*Youngman v. Nevada Irrigation District* (1969) 70 Cal.2d 240, 246-247; *California Emergency Physicians Medical Group v. Pacificare of California*, 111 Cal.App.4th 1127, 1134 (2003) (demurrer to implied contract claim sustained without leave to amend).)

Here, Plaintiff fails to allege the first element. There are no facts alleged showing a promise may be inferred by TEQLease to pay for all goods allegedly shipped by Plaintiff to Quest absent TEQLease entering into the lease with Quest or to pay for equipment not timely delivered nor properly accepted by the third-party. In addition, the implied contract cause of action

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incorporates the written contract creating uncertainty and having inconsistent facts which are not allowed as a matter of law.

D. **The Fourth and Sixth Causes of Action Fails to State Facts Sufficient to Constitute a Cause of Action**.

In the original Complaint, the fourth cause of action was for quantum meruit for services rendered but now the fourth and sixth causes of action are common counts for goods. However, the law is very clear that if a common count is based on the same cause of action as a defective specific count, in alternative pleading, the common count is subject to dismissal (see *Weitzenkorn v. Lesser* (1953) 40 Cal.2d 778, 793; *Del E. Webb Corp. v. Structural Materials Co.* (1981) 123 Cal.App.3d 593, 601; *Neal v. Bank of America* (1949) 93 Cal.App.2d 678, 681-682). Since all of the other causes of action are defective, the common count is defective as well.

E. **The Fifth Cause of Action for Account Stated Fails to State Facts Sufficient to Constitute a Cause of Action**.

Parties transacting business with each other, and keeping account of their transactions and items of indebtedness, may come to an agreement on the final balance due from one other. This agreement is an "account stated", a new and independent executory contract which essentially is a is a form of novation. (*See* Civ. Code § 1530.) It is an agreement between the parties that a certain sum shall be paid and accepted in discharge of an obligation. To constitute an account stated, the following facts must appear: (i) at the time of the statement, an indebtedness from on party to the other existed; (ii) a balance was then struck and agreed to be the correct sum owing from the debtor to the creditors; and (iii) the debtor expressly or impliedly promised to pay the creditor the amount thus determined to be owing. (*Truestone, Inc. v. Simi West. Industrial Park II* (1984) 163 Cal.App.3d 715, 725.) Hence, "[a]n account stated is an agreement based on the prior transactions between the parties, that the items of the account are true and that the balance struck is due and owing from one party to another. [Citations.] When the account is assented to, 'it becomes a new contract . . . .'" (*Truestone, Inc.*, 163 Cal.App.3d at 726 (citations omitted); *Perry v. Schwartz* (1963) 219 Cal.App. 3d 285, 829.) Moreover, where the nature of the account stated is such as to bring it within the statute of frauds, the account stated must be in writing. (*See*

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*Mitchel v. Fleming* (1926) 77 Cal.App.241, 245 (A promise arising from the statement of an account, if it is not to be performed within a year, is within the statute of frauds.)

Plaintiff's cause of action for account stated fails because Plaintiff has not alleged sufficient facts evidencing an indebtedness from TEQLease to Plaintiff for the reasons discussed above. Even if Plaintiff has sufficiently alleged an existing indebtedness, the cause of action for account stated fails because there is no averment that Plaintiff delivered the invoice billings or any statement of the amount due (referred to in ¶ 34) to TEQlease (nor are any such written statements attached to the Complaint). Nor is there any averment that "a balance was then struck and agreed to be the correct sum owing." Rather, the Complaint, in conclusory form, merely alleges in paragraph 34 that on September 2, 2014, there was an account stated between Plaintiff and TEQLease and the amount due is $448,718.79. Nothing is stated in the Complaint as to how TEQLease allegedly expressly or impliedly agreed to pay the amount claimed to be correctly due and owing to Plaintiff since there are no documents remotely suggesting that there was an account stated. Moreover, even the amount claimed in the Complaint is mathematically different from the sums received by Plaintiff subtracted from the amount of the Purchase Order and Invoices. TEQLease does not know where the alleged amount due comes from and it is obvious that no account was never stated.

## V. CONCLUSION

For all of the reasons stated above, Defendant TEQLease, Inc. respectfully requests that the Court sustain the Demurrers to all causes of action contained in Plaintiff's First Amended Complaint.

DATED: April 1, 2015

FRANDZEL ROBINS BLOOM & CSATO, L.C.

By: _____
ANDREW K. ALPER
Attorneys for Defendant TEQLEASE, INC.

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## PROOF OF SERVICE

I, the undersigned, declare and certify as follows:

I am over the age of eighteen years, not a party to the within action and employed in the County of Los Angeles State of California. I am employed in the office of Frandzel Robins Bloom & Csato, L.C., members of the Bar of the above-entitled Court, and I made the service referred to below at their direction. My business address is 6500 Wilshire Boulevard, Seventeenth Floor, Los Angeles, California 90048-4920.

On April 2, 2015, I served true copy(ies) of the **NOTICE OF HEARING ON DEMURRERS OF DEFENDANT TEQLEASE, INC. TO FIRST AMENDED COMPLAINT; DEMURRERS; MEMORANDUM OF POINTS AND AUTHORITIES**, the original(s) of which is(are) affixed hereto. to the party(ies) on the attached service list.

☒ **BY MAIL:** I placed the envelope for collection and mailing at Los Angeles, California. The envelope was mailed with postage fully prepaid. I am readily familiar with this firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. postal service on that same day with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than 1 day after date of deposit for mailing in affidavit.

☐ **BY FAX TRANSMISSION:** At approximately _____, I caused said document(s) to be transmitted by facsimile. The telephone number of the sending facsimile machine was (323) 651-2577. The name(s) and facsimile machine telephone number(s) of the person(s) served are set forth in the service list. The document was transmitted by facsimile transmission, and the sending facsimile machine properly issued a transmission report confirming that the transmission was complete and without error.

☐ **BY E-MAIL:** At approximately _____, I caused said document(s) to be transmitted by electronic mail. The name(s) and e-mail addresses of the person(s) served are set forth in the service list. The document was transmitted by electronic transmission and without error.

**BY OVERNIGHT DELIVERY:** I deposited such document(s) in a box or other facility regularly maintained by the overnight service carrier, or delivered such document(s) to a courier or driver authorized by the overnight service carrier to receive documents, in an envelope or package designated by the overnight service carrier with delivery fees paid or provided for, addressed to the person(s) served hereunder.

I certify under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct.

Executed on April 2, 2015, at Los Angeles, California.

Evelyn Kidder

## SERVICE LIST

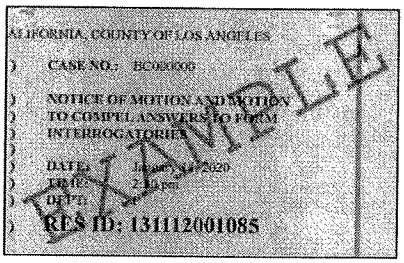
Michael Riechmann
Gardener & Riechmann, Inc.
1806 No. Broadway, Suite A
Santa Ana, California 92706

FRANDZEL ROBINS BLOOM & CSATO, L.C.
6500 WILSHIRE BOULEVARD, 17TH FLOOR
LOS ANGELES, CALIFORNIA 90048-4920
(323) 852-1000

324

**CRS RECEIPT**

| INSTRUCTIONS |
| --- |
| Please print this receipt and attach it to the corresponding motion/document as the last page. Indicate the Reservation ID on the motion/document face page (see example). The document will not be accepted without this receipt page and the Reservation ID. |




**RESERVATION INFORMATION**

| | |
| --- | --- |
| **Reservation ID:** | **150401045782** |
| **Transaction Date:** | April 1, 2015 |
| **Case Number:** | LC102485 |
| **Case Title:** | HERTZ FURNITURE SYSTEMS, LLC VS. TEQLEASE, ET AL |
| **Party:** | TEQLEASE INC. (Defendant) |
| **Courthouse:** | Van Nuys Courthouse East |
| **Department:** | Q |
| **Reservation Type:** | **Demurrer - without Motion to Strike** |
| **Date:** | 3/14/2016 |
| **Time:** | 08:30 am |

**FEE INFORMATION (Fees are non-refundable)**

**First Paper Fee:** Party asserts first paper was previously paid.

| | | |
| --- | --- | --- |
| Demurrer - without Motion to Strike | | $60.00 |
| **Total Fees:** | Receipt Number: **1150401K4993** | **$60.00** |

**PAYMENT INFORMATION**

| | |
| --- | --- |
| **Name on Credit Card:** | Debra Gray |
| **Credit Card Number:** | XXXX-XXXX-XXXX-4479 |

**A COPY OF THIS RECEIPT MUST BE ATTACHED TO THE CORRESPONDING MOTION/DOCUMENT AS THE LAST PAGE AND THE RESERVATION ID INDICATED ON THE MOTION/DOCUMENT FACE PAGE.**

325

# NATIONWIDE LEGAL LLC

COURT • PROCESS • MESSENGER

www.nationwideasap.com

legal@nationwideasap.com

| DATE | CONTROL # |
|---|---|
| 4-2-15 | 8093926 |

| | | | |
|---|---|---|---|
| Los Angeles | CA | PH (213) 249-9999 | FAX (213) 249-9990 |
| Santa Ana | CA | PH (714) 558-2400 | FAX (714) 558-2401 |
| San Francisco | CA | PH (415) 351-0400 | FAX (415) 351-0407 |
| San Diego | CA | PH (619) 232-7500 | FAX (619) 232-7600 |
| Riverside | CA | PH (951) 275-0071 | FAX (951) 275-0074 |
| Sacramento | CA | PH (916) 443-4400 | FAX (916) 443-4401 |
| Phoenix | AZ | PH (602) 256-9700 | FAX (602) 256-9720 |
| Tucson | AZ | PH (520) 624-9700 | FAX (520) 624-9701 |
| Las Vegas | NV | PH (702) 385-5444 | FAX (702) 385-1444 |

Firm:

ANDREW ALPER C/O FRANCZEL ROBINS
6500 WILSHIRE BLVD. 17TH FLOOR
LOS ANGELES CA 90048

Telephone: 323 852-1000 ACCT# 207

Attorney: ANDREW ALPER

Secretary: EVELYN KIPPER

Email:

Ref./Billing # : 100873-0001

## SERVICE TYPES

SPECIAL ☐ HOT ☐ RUSH ☐ STANDARD / REG ☐ COURT-RUN SAME DAY ☐ NEXT DAY ☐

## MESSENGER SERVICES

From:

Address:

City: Zip:

Sender:

To:

Address:

City: Zip:

Attention:

## COURT SERVICES

Case Number: LC 102485

Case Name: HERTZ FURNITURE - TEQUEASE, INC.

Court Address: LOS ANGELES SUPERIOR VAN NUYS

☐ Court Filing
☐ Research/Copy
☐ Courtesy Copy
☐ Recording

☐ DO NOT ADVANCE

Fees Attached $_____

Advance Fees $_____

Check Number _____

## SERVICES of PROCESS

Company/Person Being Served:

Address:

City: Zip:

☐ Office Service
☐ Business
☐ Substituted Service
☐ Residence

Service Deadline

☐ DO NOT ADVANCE

Fees Attached $_____

Advance Fees $_____

Check Number _____

TYPE OF DOCUMENTS: DEMURRERS TO FIRST AMENDED COMPLAINT

☐ **DO NOT ADVANCE**

file
4-6-15

SPECIAL INSTRUCTIONS:

Received By: Date: Time:

WHITE-ORIGINAL / YELLOW -BILLING / PINK-TRACKING
PLEASE SEE REVERSE SIDE FOR LIMITATION OF LIABILITY

326

# SUMMONS
## Cross-Complaint
## *(CITACION JUDICIAL–CONTRADEMANDA)*

**NOTICE TO CROSS-DEFENDANT:**
***(AVISO AL CONTRA-DEMANDADO):***
QUEST PREPARATORY ACADEMY aka QUEST ACADEMY PREPARATORY EDUCATION, a Nevada non-profit corporation; and ROES 1 through 10, Inclusive

**YOU ARE BEING SUED BY CROSS-COMPLAINANT:**
***(LO ESTÁ DEMANDANDO EL CONTRADEMANDANTE):***
TEQLEASE, INC., a California corporation

*FOR COURT USE ONLY*
*(SOLO PARA USO DE LA CORTE)*

CONFORMED COPY
ORIGINAL FILED
Superior Court of California
County of Los Angeles

JAN 06 2016

Sherri R. Carter, Executive Officer/Clerk
By: Mario A. Orozco, Deputy

**You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the cross-complainant. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center *(www.courtinfo.ca.gov/selfhelp)*, your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.**

**There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site *(www.lawhelpcalifornia.org)*, the California Courts Online Self-Help Center *(www.courtinfo.ca.gov/selfhelp)*, or by contacting your local court or county bar association. NOTE: The court has a statutory lien for waived fees and costs on any settlement or arbitration award of $10,000 or more in a civil case. The court's lien must be paid before the court will dismiss the case.**

***Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por esqrito en esta corte y hacer que se entregue una copia al contrademandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California* (www.sucorte.ca.gov)*, en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.***

***Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services,* (www.lawhelpcalifornia.org)*, en el Centro de Ayuda de las Cortes de California* (www.sucorte.ca.gov)*, o oniéndose en contacto con la corte o el colegio de abogados locales. AVISO: Por ley, la corte tiene derecho a reclamar las cuotas y los costos exentos por imponer un gravamen sobre cualquier recuperación de $10,000 ó más de valor recibida mediante un acuerdo o una concesión de arbitraje en un caso de derecho civil. Tiene que pagar el gravamen de la corte antes de que la corte pueda desechar el caso.***

The name and address of the court is:
*(El nombre y dirección de la corte es):*
Los Angeles Superior Court
6230 Sylmar Ave.
Van Nuys, CA 91401

SHORT NAME OF CASE (*from Complaint*): *(Nombre de Caso):*
Hertz Furniture Systems v. TEQLease, Inc.

CASE NUMBER: *(Número del Caso):*
LC102485

The name, address, and telephone number of cross-complainant's attorney, or cross-complainant without an attorney, is:
*(El nombre, la dirección y el número de teléfono del abogado del contrademandante, o del contrademandante que no tiene abogado, es):* Andrew K. Alper (SBN 088876) Telephone: (323) 852-1000 Facsimile: (323) 651-2577
FRANDZEL ROBINS BLOOM & CSATO, L.C.
1000 Wilshire Boulevard, 19th Floor
Los Angeles, California 90017-2427

DATE: JAN 06 2016
*(Fecha)*

Clerk, by Sherri R. Carter, Executive Officer/Clerk, Deputy
*(Secretario)* *(Adjunto)*

*(For proof of service of this summons, use* Proof of Service of Summons *(form POS-010).)*
*(Para prueba de entrega de esta citatión use el formulario* Proof of Service of Summons *(POS-010).)*

[SEAL]

**NOTICE TO THE PERSON SERVED**: You are served

1. ☐ as an individual cross-defendant.
2. ☐ as the person sued under the fictitious name of *(specify)*:
3. ☐ on behalf of *(specify)*:

under:
- ☐ CCP 416.10 (corporation)
- ☐ CCP 416.20 (defunct corporation)
- ☐ CCP 416.40 (association or partnership)
- ☐ other *(specify)*:
- ☐ CCP 416.60 (minor)
- ☐ CCP 416.70 (conservatee)
- ☐ CCP 416.90 (authorized person)

4. ☐ by personal delivery on *(date)*:

Andrew K. Alper (State Bar No. 088876)
aalper@frandzel.com
FRANDZEL ROBINS BLOOM & CSATO, L.C.
1000 Wilshire Boulevard
Nineteenth Floor
Los Angeles, California 90017-2427
Telephone: (323) 852-1000
Facsimile: (323) 651-2577

Attorneys for Defendant and Cross-Complainant
TEQLEASE, INC.

CONFORMED COPY
ORIGINAL FILED
Superior Court of California
County of Los Angeles

JAN 06 2016

Sherri R. Carter, Executive Officer/Clerk
By: Mario A. Orozco, Deputy

**SUPERIOR COURT OF CALIFORNIA**

**COUNTY OF LOS ANGELES, NORTHWEST DISTRICT**

HERTZ FURNITURE SYSTEMS, LLC, a New Jersey limited liability company aka HERTZ FURNITURE,

Plaintiff,

v.

TEQLEASE, INC., a California corporation; QUEST PREPARATORY ACADEMY, a Nevada non-profit corporation; and DOES 2 through 10,

Defendants.

TEQLEASE, INC., a California corporation,

Cross-Complainant,

v.

QUEST PREPARATORY ACADEMY aka QUEST ACADEMY PREPARATORY EDUCATION, a Nevada non-profit corporation; and ROES 1 through 10, Inclusive,

Cross-Defendants.

CASE No. LC102485

Assigned to the Hon. Russell S. Kussman
Dept. NWQ

**CROSS-COMPLAINT FOR:**

1. **DECLARATORY RELIEF;**
2. **INDEMNITY AND CONTRIBUTION**

Dept.: Trial Date: October 17, 2017

Cross-Complainant, TEQLease, Inc., a California corporation ("Cross-Complainant") hereby alleges as follows:

## GENERAL ALLEGATIONS

1. At all times herein mentioned, TEQLease, Inc. was, and still is, a corporation duly organized under and by virtue of the laws of the State of California with its principal place of business located in the City of Calabasas, County of Los Angeles, State of California.

2. HERTZ FURNITURE SYSTEMS, LLC, a New Jersey limited liability company aka Hertz Furniture ("Plaintiff") is a limited liability company organized under the laws of the State of New Jersey, with its principal place of business located in the City of Ramsey, State of New Jersey.

3. Cross-Complainant is informed and believes and thereon alleges that Cross-Defendant QUEST PREPARATORY ACADEMY ("Quest") is a Nevada non-profit corporation with its principal place of business in Clark County, State of Nevada. Cross-Complainant is informed and believes and thereon alleges that at all times herein mentioned, Quest Preparatory Academy was also known as Quest Academy Preparatory Education.

4. The true names and capacities, whether individual, corporate, associate or otherwise of Cross-Defendants named herein as ROES 1 through 10, inclusive, are unknown to Cross-Complainant, who therefore sues said Cross-Defendants by such fictitious name and will amend this Cross-Complaint to show their names and capacities when the same are ascertained.

5. Cross-Complainant is informed and believes and thereon alleges that at all times herein mentioned, each of the fictitiously named Cross-Defendants is responsible in some manner for the occurrences herein alleged and that Cross-Complainant's damages as alleged were proximately caused by such Cross-Defendants. Cross-Complainant is informed and believes and thereon alleges that at all relevant times herein mentioned, each Cross-Defendant was the agent, servant and/or employee of all of the other Cross-Defendants, in doing the things hereinafter alleged, was acting in the scope of their authority as such agents, servants, and/or employees with the permission and consent of each of the other Cross-Defendants.

6. The transactions and contracts on which this action is based were made in Los

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LOS ANGELES, CALIFORNIA 90017-2427
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Angeles County, California and therefore this Court has jurisdiction over this case.

7. Cross-Complainant is in the business of leasing equipment and making loans secured by equipment. Cross-Complainant's proposed lessee, Quest, requested that Cross-Complainant acquire furniture and related equipment from Hertz on its behalf and lease it to Quest. Cross-Complainant is a finance lessor as that term is defined in Commercial Code section 10103(a)(7) in that it does not select, manufacture or supply the goods it leases; it acquires the goods and right to possession and use of the goods in connection with a lease; and the lessee essentially approves any supply contracts since it is the lessee who has selected the equipment. Cross-Complainant does not typically fund a lease until the equipment is delivered, installed, operational, and accepted for all purposes by its lessee. In addition, before any lease is entered into Cross-Complainant must evaluate the credit of its lessee and the contemplated transaction before it decides to enter into a lease with the lessee.

8. Attached hereto, marked Exhibit "1", and incorporated herein by this reference are copies of quotations from Plaintiff to Cross-Complainant which were requested by Quest. Quest selected the furniture and equipment from Plaintiff and the quotations were sent to Cross-Complainant because Cross-Complainant contemplated leasing the equipment and goods to Quest.

9. In connection with acquiring the equipment and goods set forth in Exhibit "1", Cross-Complainant issued a Purchase Order contract setting forth the terms upon which Cross-Complainant would acquire the equipment and goods set forth in Exhibit "1" ("the Property"). A true and correct copy of the TEQLease Purchase Order is attached hereto, marked Exhibit "2", and incorporated herein by this reference ("Purchase Order").

10. Pursuant to the terms of the Purchase Order it was stated on page one:

a. "This Purchase Order will expire on 7/28/14". The Purchase Order was dated May 28, 2014.

b. On page two, the Purchase Order specifically stated that the Purchase Order expired on the date set forth in the Purchase Order and if all merchandise has not been delivered, assembled, installed and accepted by lessee within this date, Cross-Complainant may, at its option, terminate the Purchase Order and all obligations to Plaintiff and recover any deposit made to

Plaintiff plus interest at 18%.

c. The Purchase Order stated that it must be accepted as written. Any increase in the price, change in quantities, or quality of merchandise ordered or any other change of terms and conditions of the Purchase Order shall not be binding on Plaintiff unless such change is made in writing.

d. The Purchase Order also said that the merchandise shall be received subject to Cross-Complainant and Quest's acceptance and rejection, either before or after delivery thereof. The place and time of inspection shall be determined by buyer . . ..If lessee rejects or refuses to accept any merchandise pursuant to the Purchase Order, Cross-Complainant, as buyer, shall be relieved of any liability to Plaintiff under the Purchase Order . . . and Hertz in such event shall look only to lessee (Quest) with respect to any liability or obligation hereunder.

e. The Purchase Order also stated that the Purchase Order and all of buyer's obligations thereunder may be canceled (at any time or times thereafter) by buyer, at its election, in the event that (iv) all lease documents have not been fully and properly executed . . . or (vii) Plaintiff does not deliver merchandise pursuant to the terms outlined in the Purchase Order; or (viii) lessee's financial or credit situation has changed such that buyer's risk as lessor is materially changed and/or buyer as lessor deems itself insecure.

11. All of the Property except for some small items which were never delivered was finally delivered to Quest in November, 2014 and the Purchase Order expired by its terms.

12. No lease was ever entered into between Cross-Complainant and Quest. A true and correct copy of an initial lease signed by Quest only and not Plaintiff is attached hereto, marked Exhibit "3", and is incorporated herein by this reference. A true and correct copy of revised leases which were never signed by either Quest or Plaintiff are attached hereto, marked Exhibit "4", and incorporated herein by this reference.

13. In addition, at the time Quest was entering into the lease with Quest, Quest had represented in the fiscal year 2014 it made a profit of $104,000 and during fiscal year 2015 it made a profit of $200,000.00 to Cross-Complainant. However, in November, 2014, Cross-Complainant received Quest's independent auditor's financial statement reflecting that the

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statements regarding Quest's financial condition made to Cross-Complainant in order to induce Cross-Complainant to enter into the lease of the Property were false. The financial statement reflected that Quest lost $535,364.00 for fiscal year 2015 rather than operating on a profit.

14. As a result of the foregoing, the Purchase Order was terminated since the Property was not delivered pursuant to the terms of the Purchase Order; it was terminated because no leases were ever entered into by and between Cross-Complainant and Quest; and it was terminated because the statements regarding the financial condition made to Cross-Complainant were false.

15. Notwithstanding the foregoing, Plaintiff nevertheless commenced litigation against Cross-Complainant in the Los Angeles Superior Court as Case No. LC102485 for breach of oral contract, breach of written contract, breach of implied in fact contract, quantum valebant, account stated and goods sold and delivered. Their current pleading is the Second Amended Complaint ("Complaint"). Cross-Complainant contends that it has no liability to Plaintiff on this transaction.

**FIRST CAUSE OF ACTION**

**(For Declaratory Relief as Against All Cross-Defendants)**

16. Cross-Complainant refers to and incorporates each and every allegation in paragraphs 1 through 15, inclusive, of its General Allegations and incorporates the same herein by reference as though set forth in full.

17. Cross-Complainant believes that a declaration of rights is necessary under the circumstances as an actual controversy concerning the rights, duties, and obligations of the parties currently exists. Cross-Complainant contends that with respect to Plaintiff that it has no liability for the reasons set forth herein. Cross-Complainant is informed and believes and thereon alleges that Plaintiff disputes the contentions of Cross-Complainant.

18. Cross-Complainant further contends that although it has no liability to Plaintiff, if for some reason the Court adjudges that Cross-Complainant is liable to Plaintiff for the purchase of the Property referred to in the invoices and in the Complaint (which is disputed by Cross-Complainant), then the Court must order that the lease agreements, Exhibit "4", are in full force and effect as to Quest and that Quest shall be immediately declared in default and liable to Cross-

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Complainant for all sums due pursuant to the terms of the Exhibit "4" lease agreement in an amount according to proof. Further, in such event, Cross-Complainant further requests that the Court order judgment for claim and delivery with respect to the Property set forth in the invoices and turn over of the Property to Cross-Complainant. Cross-Complainant is informed and believes and thereon alleges that Quest disputes some, if not many, of the allegations and contentions in this Cross-Complainant.

19. As a result of the foregoing, a judicial determination and declaration is necessary with respect to the rights, duties, and obligations of the parties, and each of them, as to each other.

**SECOND CAUSE OF ACTION**

**(For Indemnity as Against All Cross-Defendants except Plaintiff)**

20. Cross-Complainant incorporates each and every allegation contained in paragraphs 1 through 15, inclusive of the General Allegations and paragraphs 16 through 19, inclusive of the First Cause of Action by reference herein as though set forth in full.

21. As a result of the allegations of Plaintiff in its Complaint which alleges breach of oral contract, breach of written contract, breach of implied-in-fact contract, quantum valebant, account stated, and goods sold and delivered, Cross-Complainant alleges that in the event it is found in some manner legally liable to Plaintiff, which legal liability is disputed by Cross-Complainant, such liability would have occurred as a result of the actions of Quest as heretofore alleged and that Cross-Complainant's liability will be solely based upon a derivative, vicarious or imputed form of liability not resulting from its conduct but, instead, based upon an obligation imposed on them by law and such legal liability of Cross-Complainant would have been proximately caused by the tortious acts or omissions or breaches of contract by the remaining Cross-Defendants, and each of them, and therefore Cross-Complainant is entitled to recover total and complete indemnity from Cross-Defendants, and each of them, including costs and attorneys fees in an amount according to proof pursuant to California Code of Civil Procedure section 1021.6 and pursuant to the terms of the leases if the Court holds that the leases are valid and enforceable.

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22. In addition, to the extent the Court does not award indemnity by Quest to Cross-Complainant, then Cross-Complainant is entitled to contribution in an amount according to proof.

WHEREFORE, Cross-Complainant prays Judgment as follows:

1. As to Plaintiff, for a judicial declaration and determination that Cross-Complainant has no liability to Plaintiff as alleged in the Complaint filed by Plaintiff against Cross-Complainant;

2. As to Plaintiff, that Cross-Complainant be awarded its reasonable attorneys fees to the extent allowed by law;

3. As to Plaintiff, that Cross-Complainant be awarded costs of suit incurred herein;

4. Alternatively, in the event the Court determines that Cross-Complainant is liable to Plaintiff, that the equipment lease agreements are declared in full force and effect; that Quest is in default pursuant to the terms of the equipment lease agreements; that judgment shall be entered in favor of Cross-Complainant and against Quest in the sums due pursuant to the terms of the equipment lease agreement in an amount according to proof at time of trial; that the equipment referred to in the invoices and the lease agreements be immediately turned over to Cross-Complainant; and that Quest indemnify Cross-Complainant from any and all damages incurred by Cross-Complainant to Plaintiff as may be adjudged by the Court;

5. That Cross-Complainant be awarded reasonable attorneys fees as against Quest;

6. That Cross-Complainant be awarded costs of suit against Quest; and

7. For such other and further relief as the Court deems just and proper.

DATED: December 29, 2015

FRANDZEL ROBINS BLOOM & CSATO, L.C.

By: _____
ANDREW K. ALPER
Attorneys for Cross-Complainant TEQLEASE, INC.

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1000 WILSHIRE BOULEVARD, 19TH FLOOR
LOS ANGELES, CALIFORNIA 90017-2427
(323) 852-1000

# EXHIBIT 1

335

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

Quote Number
553634-000

# QUOTATION

Date
10/08/14

Page
1

Customer:
TEQlease, Inc.
Russ Runnalls
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Calabasas,CA 91302
U.S.A.

Ship To:
Quest Academy - Azure Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H 1
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....: WAREHOUSE INVENTORY

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| | ***This quote is valid for 30 days from the date entered *** | | | | |
| | Hertz products come with a dual limited lifetime/25-year warranty - see www.HertzFurniture.com/customer-service.html for details. | | | | |
| | To check the status of your order, please visit us at: www.HertzFurniture.com/OrderStatus | | | | |
| | ********** | | | | |
| | ***** Please note that Hertz Furniture will be closed ****** | | | | |
| | ********* from October 9th through October 17th ********** | | | | |
| | ********** | | | | |
| 3.00 | CBB-6135<br>35in. Childrens Bean Bag | EA | | 65.0000 | 195.00 |
| 128.00 | INS-716<br>15.5"H Inspiration Value Classroom Chair | EA | | 42.9500 | 5,497.60 |
| 186.00 | INS-718<br>18"H Inspiration Value Classroom Chair | EA | | 43.9500 | 8,174.70 |
| 1.00 | INS-658D<br>Inspiration Swivel Drafting Stool | EA | | 133.9500 | 133.95 |

Continued . . .

EXHIBIT 1

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

Q U O T A T I O N

Quote Number
553634-000

Date
10/08/14



Customer:
TEQlease, Inc.
Russ Runnalls
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Calabasas,CA 91302
U.S.A.

Ship To:
Quest Academy - Azure Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H 1
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....: WAREHOUSE INVENTORY

| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | MYS-1285<br>Mystic End Table | EA | | 164.0000 | 164.00 |
| 3.00 | 999<br>QSD-48-A LIB SHELF<br>23.75X36X48 H ADDER | EA | | 512.0000 | 1,536.00 |
| 3.00 | 999<br>QSD-48-S LIB SHELF<br>23.75X75X37 X48H STARTER | EA | | 683.0000 | 2,049.00 |
| 10.00 | 999<br>QSS-72-A LIB SHELF ADDER<br>12X36X72H FUSION | EA | | 342.0000 | 3,420.00 |
| 1.00 | 999<br>QP-7212-S FUSION LIB SHELF<br>12X 37X72H PERIODICAL STARTER | EA | | 600.0000 | 600.00 |
| 3.00 | 999<br>QSS-42-A FUSION LIB SHELF<br>12X36X42H ADDER | EA | | 229.0000 | 687.00 |
| 16.00 | 999<br>OVB-72 LIB Shelf,SF Back Panel<br>72H | EA | | 93.0000 | 1,488.00 |

Continued . . .

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| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 3.00 | 999<br>OVB-42 Library Shelf<br>SF Back Panel 42H | EA | | 50.0000 | 150.00 |
| 4.00 | SYN-4896<br>4'x8' Syncoat Magnetic<br>Markerboard | EA | | 229.0000 | 916.00 |
| 1.00 | MYS-1285<br>Mystic End Table | EA | | 164.0000 | 164.00 |
| 10.00 | MZE-3000<br>The Maze Office Chair | EA | | 139.0000 | 1,390.00 |
| 10.00 | WAD-1800<br>Wheelchair Accessible School<br>Desk - Laminate | EA | | 131.9500 | 1,319.50 |
| 30.00 | 999<br>5833 STORAGE UNIT LOCKING DOOR | EA | | 795.0000 | 23,850.00 |
| 2.00 | 999<br>STORAGE UNIT LOCKING DOOR<br>CUBBY | EA | | 795.0000 | 1,590.00 |
| 4.00 | 999<br>STORAGE UNIT LOCKING DOOR<br>CUBBY quote#39868 -Cognac | EA | | 795.0000 | 3,180.00 |

Continued . . .

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| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 5.00 | 999<br>3MM1-5866 STORAGE UNIT WARDROBE - Cognac | EA | | 707.0000 | 3,535.00 |
| 7.00 | 999<br>3MM1-5866 STORAGE UNIT WARDROBE - Cognac | EA | | 707.0000 | 4,949.00 |
| 2.00 | 999<br>PS-78PT TABLE LIBRARY SLOPE TOP READING 31X78 | EA | | 1,298.0000 | 2,596.00 |
| 6.00 | GS-3048ADJ<br>48x30 Group-Study Rectangular Table | EA | | 114.0000 | 684.00 |
| 7.00 | GS-4872ADJ<br>21-29"H Group-Study Kidney Shaped Table | EA | | 199.0000 | 1,393.00 |
| 112.00 | GS-2460ADJ<br>60x24 Group-Study Rectangular Table | EA | | 116.0000 | 12,992.00 |
| 16.00 | ACB-96D<br>All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | EA | | 999.0000 | 15,984.00 |

Continued . . .

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| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 2.00 | 999<br>DS-243631/A-TC Mobile Base<br>Library Book Bin Display | EA | | 865.0000 | 1,730.00 |
| 12.00 | ACD-2468RP<br>Deluxe Nate Teacher's Station<br>with Removable Pedestal | EA | | 1,139.0000 | 13,668.00 |
| 22.00 | VBA-46<br>6'x4' Vinyl Bulletin Board<br>w/Alum. Frame | EA | | 115.0000 | 2,530.00 |
| 30.00 | PET-BOOK<br>Mesh Book Basket for Petal<br>Desk | EA | | 28.0000 | 840.00 |

| | |
|---|---|
| Material Total: | 117,405.75 |
| Discount: | 17,610.86 |
| Subtotal: | 99,794.89 |
| Total Quote: | 99,794.89 |

Continued . . .

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Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....: WAREHOUSE INVENTORY

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|

If Tailgate Delivery is specified, the customer is required to off-load the merchandise from the truck.

The truck driver is not responsible to bring the furniture inside.

*** PLEASE ASK ABOUT OUR LEASING PLANS ***

We do our best to make sure that your order is correct. Please review this order to confirm that the model #, color, quantity, size and price are correct. If all the information is accurate, please sign and fax back to me.
If there is a discrepancy, please call me so that we may correct the error and process your order.

I understand that this is a custom order and that no changes can be made once the order is placed.

I have read and understand the terms and conditions listed above.

Sign:_____ Name:_____

Date:_____

Alt Phone # (Mobile or work) _____

Terms and Conditions

1. Steps to take at time of delivery to protect against loss or damage.
   a. Verify count - make sure you are receiving as many cartons as are listed on the carrier's delivery receipt. If there is a discrepancy, note it on the receipt and have the driver note it on your copy.
   b. Examine Each Carton For Damage - note visible damage on the carrier's delivery receipt. Be specific, e.g., 'cartons crushed', or 'carton has a hole in it'. If cartons are severely damaged, do not accept shipment.
   c. Open Damaged Cartons Immediately - and inspect with the driver. All concealed damage must be noted on carrier's delivery receipt and on your copy. Retain your copy and advise Hertz Furniture immediately. You have the right to accept a partial shipment and refuse damaged items.
   d. Immediately After Delivery - open all cartons and inspect for concealed damage. Hertz Furniture will only accept responsibility if cartons are opened and a claim is made within 3 days of delivery.

2. Steps to take when visible or concealed damage is discovered
   a. Retain Damaged Items - at the point of delivery along with all packaging material until Carrier Inspection.
   b. Report Concealed Damage to Hertz Furniture Immediately - all claims must be made within 3 days of delivery.
   c. Document All Correspondence in Writing - and provide pictures of of damaged containers and merchandise.

3. Steps to take when carrier inspects damaged items
   a. Carefully Read the Inspection Report Before Signing It - if you do do not agree with facts or conclusions made by the inspector, do not sign it.
   b. Forward Your Copy of the Inspection Report to Hertz Furniture - a freight claim will be filed on your behalf. If we are notified within 10 days of delivery and all criteria are met, Hertz Furniture will process a no-charge replacement order for you.
   c. Retain Damaged Merchandise in Original Cartons - Hertz Furniture will advise you of the disposition of the damaged item when the claim is settled. You must make the item available for salvage pickup.

4. Payment
   a. If you have an open invoice with Hertz Furniture, payment is due 30 days after the date of invoice.
   b. You are required to pay for products received but not for those on backorder.
   c. Delinquent accounts are subject to a 1.5% monthly interest fee plus legal and collection fees.
   d. Jurisdiction for all legal issues will be the court system of the State of New Jersey.

5. Returns
   a. No returns will be accepted without written consent from Hertz Furniture's Customer Service Department. Restocking and return freight charges may apply.

Version 2011.1.6.11

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Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14
Cust P.O....:

Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| | ***This quote is valid for 30 days from the date entered *** | | | | |
| | Hertz products come with a dual limited lifetime/25-year warranty - see www.HertzFurniture.com/customer-service.html for details. | | | | |
| | To check the status of your order, please visit us at: www.HertzFurniture.com/OrderStatus | | | | |
| | ********** | | | | |
| | ***** Please note that Hertz Furniture will be closed ****** | | | | |
| | ********* from October 9th through October 17th ********** | | | | |
| | ********** | | | | |
| 20.00 | VBA-46<br>6'x4' Vinyl Bulletin Board w/Alum. Frame | EA | | 115.0000 | 2,300.00 |
| 7.00 | SYN-4896<br>4'x8' Syncoat Magnetic Markerboard | EA | | 229.0000 | 1,603.00 |
| 2.00 | VBA-48<br>8'x4' Vinyl Bulletin Board w/Alum. Frame | EA | | 149.0000 | 298.00 |
| 180.00 | INS-718<br>18"H Inspiration Value Classroom Chair | EA | | 43.9500 | 7,911.00 |

Continued . . .

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Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 11.00 | WAD-1800 Wheelchair Accessible School Desk - Laminate | EA | | 131.9500 | 1,451.45 |
| 10.00 | ACD-2468RP Deluxe Nate Teacher's Station with Removable Pedestal | EA | | 1,139.0000 | 11,390.00 |
| 143.00 | GS-2460ADJ 60x24 Group-Study Rectangular Table | EA | | 116.0000 | 16,588.00 |
| 12.00 | PET-1900HPC Colored Petal Classroom Desk with Hard Plastic Top | EA | | 204.9500 | 2,459.40 |
| 1.00 | ACD-3048 Nate Junior Single-Pedestal Teacher's Desk | EA | | 487.0000 | 487.00 |
| 1.00 | INS-658D Inspiration Swivel Drafting Stool | EA | | 133.9500 | 133.95 |
| 60.00 | INS-714 14"H Inspiration Value Classroom Chair | EA | | 38.5500 | 2,313.00 |

Continued . . .

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Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 60.00 | INS-716<br>15.5"H Inspiration Value Classroom Chair | EA | | 42.9500 | 2,577.00 |
| 5.00 | GS-4872ADJ<br>21-29"H Group-Study Kidney Shaped Table | EA | | 199.0000 | 995.00 |
| 30.00 | ACB-96D<br>All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | EA | | 999.0000 | 29,970.00 |
| 1.00 | DRY-2440<br>18"x24" Port-O-Rack Drying Rack - 40 Shelves | EA | | 659.0000 | 659.00 |
| 2.00 | 999<br>374S HD MOBILE STG | EA | | 1,173.0000 | 2,346.00 |
| 3.00 | CBB-6135<br>35in. Childrens Bean Bag | EA | | 65.0000 | 195.00 |
| 1.00 | 999<br>3620-27 Medical Cot 27W Wood Leg Navy | EA | | 201.8000 | 201.80 |
| 18.00 | MZE-3000<br>The Maze Office Chair | EA | | 139.0000 | 2,502.00 |

Continued . . .

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|---|---|---|---|---|---|
| 1.00 | ULT-3902<br>Ultima Patron Desk with Recessed Worksurface | EA | | 1,079.0000 | 1,079.00 |
| 1.00 | ULT-D32<br>Ultima Depressible Book Truck | EA | | 1,089.0000 | 1,089.00 |
| 1.00 | ULT-3220<br>Ultima ADA Desk | EA | | 1,139.0000 | 1,139.00 |
| 1.00 | 999<br>CDU-3218 Circ Desk, End Panel 32H | EA | | 237.0000 | 237.00 |
| 1.00 | 999<br>DS-243631/A-TC Mobile Base Library Book Bin Display | EA | | 865.0000 | 865.00 |
| 4.00 | 999<br>QSS-42-A FUSION LIB SHELF 12X36X42H ADDER | EA | | 229.0000 | 916.00 |
| 44.00 | 999<br>STORAGE UNIT LOCKING DOOR CUBBY quote#39868 -Cognac | EA | | 795.0000 | 34,980.00 |
| 11.00 | 999<br>3MM1-5866 STORAGE UNIT WARDROBE - Cognac | EA | | 707.0000 | 7,777.00 |

Continued . . .

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|---|---|---|---|---|---|
| 1.00 | 999 3MM2-555/MAILBOX-TEACHER, 30 3MM2-538 Black | EA | | .0000 | .00 |
| 3.00 | 999 5860 Reception, Curved Bench Crypton Replay-Turquis | EA | | 1,269.2500 | 3,807.75 |
| 2.00 | 999 5836V Reception, Curved Table Crypton Replay-Turquis | EA | | 676.3500 | 1,352.70 |
| 6.00 | 999 S1831K4/S0785T1 Tablet Arm Chair Starter Grade 10 /Blu | EA | | 1,081.0000 | 6,486.00 |
| 1.00 | MYS-1772S Mystic 72x36" Conference Table with Shelf | EA | | 699.0000 | 699.00 |
| 15.00 | FNG-2460 60"Lx24"W Flip N Go Training Table | EA | | 416.0000 | 6,240.00 |
| 1.00 | 999 CDR-3916 Library Circ Desk, Corner Unit/Light Cherry/Bla | EA | | 1,030.0000 | 1,030.00 |

Continued . . .

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|---|---|---|---|---|---|
| 1.00 | ATM-874<br>36"Wx24"Dx78"H Mobile Cabinet<br>Full Height | EA | | 639.0000 | 639.00 |
| 1.00 | MBR-440<br>4'x6' Mobile Porcelain Music<br>and Cork Board Alum Frame | EA | | 719.0000 | 719.00 |
| 1.00 | TRR-430N<br>Jumbo Rocker Natural | EA | | 179.0000 | 179.00 |
| 6.00 | JOY-1430D<br>7'8"x10'9" Lots of Dots<br>Rectangle Carpet | EA | | 389.0000 | 2,334.00 |
| 1.00 | SBT-83060H<br>60"Lx30"W 36H Science-Bio<br>Table | EA | | 327.0000 | 327.00 |
| 1.00 | INSTAL<br>Delivery Setup And Removal Of<br>All Debris | EA | | 24,415.0000 | 24,415.00 |
| 1.00 | FREIGHT<br>Tailgate Delivery Charge | EA | | 21,544.0000 | 21,544.00 |

| | |
|---|---|
| Material Total: | 204,235.05 |
| Discount: | 30,635.26 |
| Subtotal: | 173,599.79 |
| Total Quote: | 173,599.79 |

Continued . . .

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| Order Qty | Item Description | U/M | Disc | Price | Extension |
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We do our best to make sure that your order is correct. Please review this order to confirm that the model #, color, quantity, size and price are correct. If all the information is accurate, please sign and fax back to me.
If there is a discrepancy, please call me so that we may correct the error and process your order.

I understand that this is a custom order and that no changes can be made once the order is placed.

I have read and understand the terms and conditions listed above.

Sign:_____ Name:_____

Date:_____

Alt Phone # (Mobile or work) _____

# Terms and Conditions

1. Steps to take at time of delivery to protect against loss or damage.
   a. Verify count - make sure you are receiving as many cartons as are listed on the carrier's delivery receipt. If there is a discrepancy, note it on the receipt and have the driver note it on your copy.
   b. Examine Each Carton For Damage - note visible damage on the carrier's delivery receipt. Be specific, e.g., 'cartons crushed', or 'carton has a hole in it'. If cartons are severely damaged, do not accept shipment.
   c. Open Damaged Cartons Immediately - and inspect with the driver. All concealed damage must be noted on carrier's delivery receipt and on your copy. Retain your copy and advise Hertz Furniture immediately. You have the right to accept a partial shipment and refuse damaged items.
   d. Immediately After Delivery - open all cartons and inspect for concealed damage. Hertz Furniture will only accept responsibility if cartons are opened and a claim is made within 3 days of delivery.

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   c. Document All Correspondence in Writing - and provide pictures of of damaged containers and merchandise.

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   a. Carefully Read the Inspection Report Before Signing It - if you do do not agree with facts or conclusions made by the inspector, do not sign it.
   b. Forward Your Copy of the Inspection Report to Hertz Furniture - a freight claim will be filed on your behalf. If we are notified within 10 days of delivery and all criteria are met, Hertz Furniture will process a no-charge replacement order for you.
   c. Retain Damaged Merchandise in Original Cartons - Hertz Furniture will advise you of the disposition of the damaged item when the claim is settled. You must make the item available for salvage pickup.

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5. Returns
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Version 2011.1.6.11

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Q U O T A T I O N

Quote Number
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c/o Glide Installations
2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| | ***This quote is valid for 30 days from the date entered *** | | | | |
| | Hertz products come with a dual limited lifetime/25-year warranty - see www.HertzFurniture.com/customer-service.html for details. | | | | |
| | To check the status of your order, please visit us at: www.HertzFurniture.com/OrderStatus | | | | |
| | ********** | | | | |
| | ***** Please note that Hertz Furniture will be closed ****** | | | | |
| | ********* from October 9th through October 17th ********** | | | | |
| | ********** | | | | |
| 32.00 | VBA-46<br>6'x4' Vinyl Bulletin Board<br>w/Alum. Frame | EA | | 115.0000 | 3,680.00 |
| 22.00 | VBA-48<br>8'x4' Vinyl Bulletin Board<br>w/Alum. Frame | EA | | 149.0000 | 3,278.00 |
| 470.00 | INS-718<br>18"H Inspiration Value<br>Classroom Chair | EA | | 43.9500 | 20,656.50 |
| 16.00 | WAD-1800<br>Wheelchair Accessible School<br>Desk - Laminate | EA | | 131.9500 | 2,111.20 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
Fax: 800-842-9290

Q U O T A T I O N

Quote Number
553625-000

Date
10/08/14



Customer:
TEQlease, Inc.
Russ Runnalls
23801 Calabasas Road, Ste. 101
818-222-1006 Ext 203
Calabasas,CA 91302
U.S.A.

Ship To:
Quest Academy - Azure Campus
c/o Glide Installations
2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 360.00 | PET-BOOK<br>Mesh Book Basket for Petal Desk | EA | | 28.0000 | 10,080.00 |
| 16.00 | ACD-2468RP<br>Deluxe Nate Teacher's Station with Removable Pedestal | EA | | 1,139.0000 | 18,224.00 |
| 195.00 | GS-2460ADJ<br>60x24 Group-Study Rectangular Table | EA | | 116.0000 | 22,620.00 |
| 36.00 | PET-1900HPC<br>Colored Petal Classroom Desk with Hard Plastic Top | EA | | 204.9500 | 7,378.20 |
| 5.00 | ACD-3048<br>Nate Junior Single-Pedestal Teacher's Desk | EA | | 487.0000 | 2,435.00 |
| 3.00 | INS-658D<br>Inspiration Swivel Drafting Stool | EA | | 133.9500 | 401.85 |
| 32.00 | ACB-96D<br>All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | EA | | 999.0000 | 31,968.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
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# QUOTATION

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553625-000

Date
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LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | DRY-2440<br>18"x24" Port-O-Rack Drying Rack - 40 Shelves | EA | | 659.0000 | 659.00 |
| 2.00 | 999<br>374s | EA | | 1,173.0000 | 2,346.00 |
| 1.00 | 999<br>3620-27 medical cot | EA | | 201.8000 | 201.80 |
| 6.00 | DVM-4751K<br>Mobile Tote Tray Storage | EA | | 1,369.0000 | 8,214.00 |
| 2.00 | DVR-4342<br>54"Wx30"D Extra-Large Mobile Demo Center | EA | | 2,049.0000 | 4,098.00 |
| 1.00 | DVR-4342F<br>54"Wx30"D Extra Large Mobile Demo Center with Flat Top | EA | | 1,599.0000 | 1,599.00 |
| 43.00 | MZE-3000<br>The Maze Office Chair | EA | | 139.0000 | 5,977.00 |
| 2.00 | 999<br>7011 | EA | | 102.9300 | 205.86 |
| 1.00 | ULT-3220<br>Ultima ADA Desk | EA | | 1,139.0000 | 1,139.00 |
| 1.00 | ULT-3902<br>Ultima Patron Desk with Recessed Worksurface | EA | | 937.0000 | 937.00 |

Continued . . .

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PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
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Quote Number
553625-000

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10/08/14



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U.S.A.

Entered..: 10/08/14
Cust P.O....:

Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 2.00 | 999 QSD-48-S LIB SHELF 23.75X37X 48H | EA | | 683.0000 | 1,366.00 |
| 7.00 | 999 OVB-72 SF BACK PANEL LIB SHELF 72H | EA | | 93.0000 | 651.00 |
| 2.00 | RWD-CART Titan Cart | EA | | 187.0000 | 374.00 |
| 5.00 | 999 QSS-72-A FUSION LIB SHELF 12X37X72H | EA | | 342.0000 | 1,710.00 |
| 2.00 | 999 QSS-72S | EA | | 450.0000 | 900.00 |
| 1.00 | 999 CDU-3218 CIRC DESK END PANEL 32H | EA | | 237.0000 | 237.00 |
| 56.00 | 999 5833CUSTOM Storage Unit W/LOCK ING Door Cubby | EA | | 795.0000 | 44,520.00 |
| 12.00 | 999 5833CUSTOM Storage Unit W/LOCK ING Door Cubby QTE#39868-Cog | EA | | 795.0000 | 9,540.00 |

Continued . . .

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LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 18.00 | 999 3MM1-5866 Wardrobe Storage Unit Cognac | EA | | 707.0000 | 12,726.00 |
| 4.00 | 999 5832 Storage Cabinet Cognac | EA | | 635.0000 | 2,540.00 |
| 2.00 | CTM-72SB 4-Shelf Bookcase with Solid Back | EA | | 274.0000 | 548.00 |
| 3.00 | 999 665A-665C/190/24/665C/191/24 Cubicle Corner Section-Cogna | EA | | 1,950.0000 | 5,850.00 |
| 1.00 | 999 MAN5-239BT Bowfront Office Desk 36x72 Cognac | EA | | 753.0000 | 753.00 |
| 1.00 | 999 3MM1-5003/4X(MOD 42W) Bridge Office Desk Cognac | EA | | 205.0000 | 205.00 |
| 1.00 | 999 MAN5-268BT Desk, Office Credenza, BBF (RH) Cognac | EA | | 650.0000 | 650.00 |

Continued . . .

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Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | 999<br>CUSTOM TABLE TO SEAT 11<br>PEOPLE CANDEX QUOTE #138130 | EA | | 5,800.0000 | 5,800.00 |
| 1.00 | 999<br>3mm2-555/3mm2-538 Teacher<br>Mailbox, 30 Black | EA | | 997.0000 | 997.00 |
| 1.00 | 999<br>CTM-48R Round Table 42D<br>Cognac | EA | | 352.0000 | 352.00 |
| 5.00 | 999<br>577-3MM1 Lateral File 4 Drawer<br>Cognac | EA | | 895.0000 | 4,475.00 |
| 8.00 | 999<br>S1831K4/S0785T1 Tablet<br>Arm Chair Starter - BLUE | EA | | 1,081.0000 | 8,648.00 |
| 2.00 | MYS-1006<br>Mystic 3-Seat Bench | EA | | 363.0000 | 726.00 |
| 1.00 | 999<br>S1831K4 Chair w/Arms<br>Cobalt Replay/Chrome | EA | | 942.0000 | 942.00 |

Continued . . .

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PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
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# QUOTATION

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553625-000

Date
10/08/14



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U.S.A.

Entered..: 10/08/14
Cust P.O....:

Salesperson.: Shane Ronay

| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 2.00 | 999<br>S3831K4 Sofa w/Arms<br>Cobalt Replay/Chrome | EA | | 1,758.0000 | 3,516.00 |
| 1.00 | MYS-1285<br>Mystic End Table | EA | | 164.0000 | 164.00 |
| 18.00 | MYS-1802C<br>Mystic Stacking Guest Chair<br>with Casters | EA | | 249.0000 | 4,482.00 |
| 3.00 | MYS-1772S<br>Mystic 72x36" Conference<br>Table with Shelf | EA | | 699.0000 | 2,097.00 |
| 96.00 | ZST-6624N<br>24"H Seat Heavy-Duty Z-Stool<br>without Backrest | EA | | 87.9500 | 8,443.20 |
| 28.00 | NMS-82<br>Music Stand, Height and Angle<br>Adjustable | EA | | 38.0000 | 1,064.00 |
| 2.00 | NMS-CART20<br>Music Stand Cart for 20 Stands | EA | | 329.0000 | 658.00 |
| 1.00 | 999<br>55296 DESK RECEPTION CIRCULAR<br>Cherry | EA | | 5,499.8000 | 5,499.80 |

Continued . . .

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Phone: 800-526-4677
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Quote Number
553625-000

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10/08/14



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Calabasas,CA 91302
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Quest Academy - Azure Campus
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2629 E. Craig Rd. Ste. H
Attn.: Maurice 702-399-7851
LAS VEGAS,NV 89030
U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 91.00 | 999<br>211T CHAIR TABLET ARM ADDER<br>Blue | EA | | 187.0000 | 17,017.00 |
| 19.00 | 999<br>212T CHAIR TABLET ARM | EA | | 260.0000 | 4,940.00 |
| 1.00 | ESL-612PA<br>Vision Sound Lectern with<br>Built-In LCD Screen | EA | | 699.0000 | 699.00 |
| 1.00 | 999<br>CDR-3905 FUS CIRC DEDK LIBRARY<br>BOOK RETURN | EA | | 852.0000 | 852.00 |
| 1.00 | 999<br>CDR-3916 FUS CIRC DESK LIB<br>CORNER UNIT | EA | | 1,030.0000 | 1,030.00 |
| 3.00 | 999<br>RW3643CAFE TABLE LIB CAFE 36"D<br>Blue Base | EA | | 775.0000 | 2,325.00 |
| 24.00 | 999<br>RW-FF18WB Library Chair | EA | | 137.4000 | 3,297.60 |
| 6.00 | 999<br>RW-FF29WB Library Chair, Bar<br>Stool | EA | | 182.9500 | 1,097.70 |

Continued . . .

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PO BOX 803
MAHWAH, NJ 07430

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Phone: 800-526-4677
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Quote Number
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Date
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LAS VEGAS,NV 89030
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Entered..: 10/08/14
Cust P.O....:

Salesperson.: Shane Ronay

| Order Qty | Item<br>Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 6.00 | 999<br>PS-294R01 MOD 30"D Metal Legs<br>Activity Table 30x60 | EA | | 631.5500 | 3,789.30 |
| 15.00 | FNG-2460<br>60"Lx24"W Flip N Go Training<br>Table | EA | | 416.0000 | 6,240.00 |
| 1.00 | ATM-874<br>36"Wx24"Dx78"H Mobile Cabinet<br>Full Height | EA | | 639.0000 | 639.00 |
| 24.00 | SBT-4260PHH<br>60"Lx42"W 36H Solid Phenolic<br>Top | EA | | 849.0000 | 20,376.00 |
| 1.00 | MBR-440<br>4'x6' Mobile Porcelain Music<br>and Cork Board Alum Frame | EA | | 719.0000 | 719.00 |
| 1.00 | SPI-375<br>60"W Spirit Display Case | EA | | 2,249.0000 | 2,249.00 |
| 1.00 | SBT-83060H<br>60"Lx30"W 36H Science-Bio<br>Table | EA | | 327.0000 | 327.00 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

U.S.A.
Phone: 800-526-4677
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Quote Number
553625-000

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Date
10/08/14



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Attn.: Maurice 702-399-7851
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U.S.A.

Entered..: 10/08/14 Salesperson.: Shane Ronay
Cust P.O....:

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|
| 1.00 | FREIGHT<br>Tailgate Delivery Charge | EA | | 23,883.6300 | 23,883.63 |
| 1.00 | INSTAL<br>Delivery Setup And Removal Of All Debris | EA | | 29,245.0000 | 29,245.00 |

| | |
|---|---|
| Material Total: | 397,369.64 |
| Discount: | 59,605.45 |
| Subtotal: | 337,764.19 |
| Total Quote: | 337,764.19 |

Continued . . .

HERTZ FURNITURE
PO BOX 803
MAHWAH, NJ 07430

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Entered..: 10/08/14
Cust P.O....:

Salesperson.: Shane Ronay

| Order Qty | Item Description | U/M | Disc | Price | Extension |
|---|---|---|---|---|---|

We do our best to make sure that your order is correct. Please review this order to confirm that the model #, color, quantity, size and price are correct. If all the information is accurate, please sign and fax back to me.
If there is a discrepancy, please call me so that we may correct the error and process your order.

I understand that this is a custom order and that no changes can be made once the order is placed.

I have read and understand the terms and conditions listed above.

Sign:_____ Name:

Date:_____

Alt Phone # (Mobile or work) _____

Terms and Conditions

1. Steps to take at time of delivery to protect against loss or damage.
   a. Verify count - make sure you are receiving as many cartons as are listed on the carrier's delivery receipt. If there is a discrepancy, note it on the receipt and have the driver note it on your copy.
   b. Examine Each Carton For Damage - note visible damage on the carrier's delivery receipt. Be specific, e.g., 'cartons crushed', or 'carton has a hole in it'. If cartons are severely damaged, do not accept shipment.
   c. Open Damaged Cartons Immediately - and inspect with the driver. All concealed damage must be noted on carrier's delivery receipt and on your copy. Retain your copy and advise Hertz Furniture immediately. You have the right to accept a partial shipment and refuse damaged items.
   d. Immediately After Delivery - open all cartons and inspect for concealed damage. Hertz Furniture will only accept responsibility if cartons are opened and a claim is made within 3 days of delivery.

2. Steps to take when visible or concealed damage is discovered
   a. Retain Damaged Items - at the point of delivery along with all packaging material until Carrier Inspection.
   b. Report Concealed Damage to Hertz Furniture Immediately - all claims must be made within 3 days of delivery.
   c. Document All Correspondence in Writing - and provide pictures of of damaged containers and merchandise.

3. Steps to take when carrier inspects damaged items
   a. Carefully Read the Inspection Report Before Signing It - if you do do not agree with facts or conclusions made by the inspector, do not sign it.
   b. Forward Your Copy of the Inspection Report to Hertz Furniture - a freight claim will be filed on your behalf. If we are notified within 10 days of delivery and all criteria are met, Hertz Furniture will process a no-charge replacement order for you.
   c. Retain Damaged Merchandise in Original Cartons - Hertz Furniture will advise you of the disposition of the damaged item when the claim is settled. You must make the item available for salvage pickup.

4. Payment
   a. If you have an open invoice with Hertz Furniture, payment is due 30 days after the date of invoice.
   b. You are required to pay for products received but not for those on backorder.
   c. Delinquent accounts are subject to a 1.5% monthly interest fee plus legal and collection fees.
   d. Jurisdiction for all legal issues will be the court system of the State of New Jersey.

5. Returns
   a. No returns will be accepted without written consent from Hertz Furniture's Customer Service Department. Restocking and return freight charges may apply.

Version 2011.1.6.11

# EXHIBIT 2

23801 Calabasas Road, Suite 101
Calabasas, CA 91302
Phone: (818) 222-1006
Fax: (818) 222-1516
www.teqlease.com

TEQlease Purchase Order No. 412-001

Date of Purchase Order May 28, 2014

| | |
|---|---|
| VENDOR:<br>Hertz Furniture Systems<br>95 McKee Drive<br>Mahwah, NJ 07430<br><br>Attn: Jennifer Urogl<br>e-mail: jennifer@hertzfurniture.com<br>Phone: | Quote No. 542990-000 & 542997-000<br><br>TEQlease Account No. 412-001 |
| BILL TO:<br>TEQLEASE, INC.<br>23801 Calabasas Road<br>Suite 101<br>Calabasas, CA 91302<br><br>Attn: Russ Runnalls<br>Phone: 818/222-1006<br>Fax: 818/222-1516<br>e-mail: rrunnalls@teqlease.com | SHIP TO:<br>Quest Academy Preparatory Education Charter School<br>7495 W. Azure Dr., Ste 250<br>Las Vegas, NV 89149<br><br>Azure Campus - 7845 W. Azure Drive, Las Vegas 89109<br><br>Bridger Campus - 1300 E. Bridger, Las Vegas 89101<br><br>Contact: Karen Zeh<br>Phone: 702-515-4021<br>e-mail: K.Zeh@QuestAcademyLV.com |

| Qty | Equipment Description | Unit Price | Extended Price |
|---|---|---|---|
| 1 | School Furniture & Equipment per Quote No. 542997-000 for Azure Campus | $291,849.96 | $291,849.96 |
| 1 | School Furniture & Equipment per Quote No. 542990-000 for Bridger Campus | $238,135.73 | $238,135.73 |
| | | $0.00 | $0.00 |
| | | $0.00 | $0.00 |

| | |
|---|---|
| SUBTOTAL | $529,985.69 |
| SALES TAX | $0.00 |
| SHIPPING/ HANDLING | $99,037.95 |
| TOTAL | $629,023.64 |

## INSTRUCTIONS TO VENDOR

1. Unless otherwise specified herein, this Purchase Order is for new merchandise only. INVOICE MUST INDICATE "ALL EQUIPMENT IS NEW."
2. Original invoices must be mailed to Buyer indicating that the Equipment is being sold to Buyer at our address, and shipped to the Lessee at its address. If sales tax is a component of the invoice, please indicate on the invoice your State resale number for the Lessee's resident state. Payment terms are net 30 days.
3. Show this Purchase Order No. on all crates, items, packages, invoices and packing lists.
4. If terms are F.O.B., ship collect to Lessee shown above, who has agreed to pay all transportation charges.
5. This Purchase Order is governed by the terms and conditions delineated at www.teqlease.com.
6. This Purchase Order is subject to receipt of all properly executed finance documentation and advance fees.
7. This Purchase Order will expire on 7/28/14

Authorized:
TEQlease, Inc.

By: Russell Runnalls, CLP
Title: Buyer

Date: May 28, 2014

LFA
MEYBER

EXHIBIT 2

23801 Calabasas Road, Suite 101 • Calabasas, CA 91302
Phone: (818) 222-1006

Search this website...

# Terms & Conditions of Purchase

1. THE PURCHASE ORDER expires on the date set forth in the Purchase Order. If all of the merchandise has not been delivered, assembled, installed and accepted by Lessee within this date, Buyer may, at its option, terminate the Purchase Order and all obligations to Vendor, and recover any deposit(s) made to Vendor plus interest at 18% APR.
2. NO CHANGES AUTHORIZED. The Purchase Order must be accepted as written. Any increase in price, change in quantities or quality of merchandise ordered or any other change of terms and conditions of the Purchase Order shall not be binding on the Buyer unless such change is agreed to in writing. Delivery must be in accordance with the conditions outlined in the Purchase Order, and unless otherwise specifically noted therein, Vendor is to deliver the merchandise f.o.b. common carrier, destined as therein indicated. No charges for crating, boxing, packing or drayage, or for unloading, assembling or installing any merchandise will be allowed or payable unless specified in the Purchase Order. If the Buyer has not indicated any preference for the method of shipment, then the merchandise shall be shipped in the cheapest way, and the Buyer may charge back transportation charges in excess of the cheapest rate of shipment.
3. INSPECTION AND REJECTION. All merchandise shall be received subject to Buyer's and/or Lessee's inspection and rejection, either before or after delivery thereof. The place and time of inspection shall be determined by Buyer. Merchandise, which is defective or otherwise not in accordance with the Purchase Order, may be returned for credit and Vendor shall assume all transportation and handling charges in connection therewith. Rejected merchandise shall not be replaced except upon Buyer's specific instructions in writing to that effect. If Lessee rejects or refuses to accept any merchandise pursuant to the Purchase Order, Buyer shall be relieved of any liability to Vendor under the Purchase Order as to such merchandise. Vendor shall immediately refund any deposits received from Buyer plus interest at 18% APR, and all obligations of Buyer hereunder as to such merchandise shall, upon such rejection or refusal, be deemed those of *Lessee*, with the same force and effect as if Lessee, instead of Buyer, had placed the Purchase Order as to such merchandise, and Vendor in such event, shall look only to Lessee with respect to any liability or obligation hereunder.
4. RISK OF LOSS. All risk of loss, damage, theft or destruction, partial or complete; to the merchandise, incurred or occasioned by any cause, circumstance or event of whatever nature, will be borne by Vendor until physical delivery of the merchandise to Lessee and Lessee's written acceptance thereof, and will be borne by Vendor on all rejected merchandise.
5. DELIVERY TO BE MADE TO LESSEE: The person, firm or corporation to which the merchandise covered by the Purchase Order is to be delivered has leased said merchandise from the Buyer, and is herein referred to as "Lessee." Lessee is authorized on behalf of the Buyer to receive delivery of such merchandise, to inspect, and to reject same, or accept same SUBJECT TO: (a) a signed delivery and acceptance receipt, in form supplied by or acceptable to Buyer, signed by all parties designated by Buyer; (b) a verbal acknowledgment to Buyer by Lessee that the merchandise has been delivered and accepted; and (c) subject to all Lease documents covering said merchandise being fully and correctly executed by Lessee as prescribed by Buyer, together with the receipt of all advance rentals by Buyer, from Lessee, as stipulated by subject Lease Rental Agreement. In the case of multiple (more than one) suppliers of merchandise covered by said Lease Agreement, it is understood and mutually agreed by Lessee, Buyer and all Vendors that payment of invoices to all Vendors shall not be made until the completion of merchandise delivery by all Vendors involved in said Lease Rental Agreement.
6. ASSIGNMENT. Vendor will not, without Buyer's prior written consent, assign the Purchase Order by its own act or by operation of law or otherwise and any such attempted assignment will be void. In the event Vendor attempts to assign the Purchase Order, Buyer may, but will not be obligated to do so, cancel the Purchase Order and all of Buyer's obligations hereunder. Buyer may, without Vendor's consent, assign the Purchase Order or any interest herein.
7. CANCELLATION. The Purchase Order and all of Buyer's obligations hereunder may be canceled (at any time or times hereafter) by Buyer, at its election, in the event that: (i) Lessee (or the person or persons signing on behalf of Lessee) is not authorized to enter into with Buyer (as Lessor) that certain Lease Agreement pertaining to the merchandise; or (ii) Vendor, or any of its agents, employees, officers or directors, makes any misrepresentations to Buyer or Lessee relative to the equipment or the terms of the Purchase Order; or (iii) Lessee does not pay to Buyer, when due and payable, the advance rental payment(s) to be paid under the aforesaid Lease Agreement; or (iv) all Lease documents have not been fully and properly executed by Lessee as prescribed by Buyer or have not been returned to Buyer; or (v) Lessee does not have adequate insurance coverage; or (vi) Lessee does not (or is unable to) accept delivery of the merchandise or Lessee rejects the merchandise; or (vii) Vendor does not deliver the merchandise pursuant to the terms outlined in the Purchase Order; or (viii) Lessee's financial or credit situation has changed such that Buyer's risk as Lessor has materially changed and/or Buyer as Lessor deems itself insecure.
8. INDEMNITY. Vendor agrees to indemnify, protect and hold harmless Buyer, its successors or assigns and the Lessee and its successors and assigns against all claims, demand, damages, costs or expenses (including attorney's fees) arising out of the manufacture and/or delivery of the merchandise, and for actual or alleged infringements of any patent covering any merchandise hereby ordered or the use thereof.
9. FAIR LABOR ASSURANCE. Vendor warrants and represents that the merchandise ordered hereby has been produced in compliance with the requirements of the Fair Labor Standards Act of 1938, as amended.
10. WARRANTIES BY VENDOR. Vendor represents and warrants that it is the owner of and has good title to the merchandise and has not conveyed any interest therein to Lessee; that upon acceptance of the merchandise by Lessee, absolute title thereto shall pass to Buyer free and clear of all liens,

claims, security interests, and encumbrances of any nature whatsoever; that the equipment and/or services that are the subject of the Purchase Order are being sold in the Vendor's ordinary course of business; that the merchandise will conform to any specifications provided to or by Lessee or Buyer; that the merchandise will be fit and is sufficient for the purpose intended; and that the merchandise will be merchantable, of good quality and free from defects in material and workmanship. If the Lease Application and Lease Agreement which gives rise to the Purchase Order were obtained by Vendor, Vendor represents and warrants that such documents are genuine and have been validly executed by Lessee, and Vendor acknowledges that Vendor acted on its own behalf or on behalf of Lessee and not on behalf of Buyer. Vendor agrees to honor and comply with all of its warranties, express and implied, as to the merchandise and any services to be provided in connection therewith, made to Lessee and/or Buyer. No merchandise, parts, mechanisms or devices made according to Buyer's or Lessee's designs and specifications will be sold by Vendor to any other person. The foregoing warranties are in addition to and not in lieu of any and all warranties, express or implied.

11. EXCUSABLE DELAYS. Vendor will not be responsible for delays in delivery if occasioned by an unforeseeable cause beyond the control and without the fault or negligence of the Vendor, and Buyer shall not be responsible for failure to receive or take delivery if occasioned by any like cause on its or Lessee's part.
12. VENDOR REPRESENTS AND WARRANTS that no payments or other consideration have been or will be paid to or received by Vendor or Lessee or any other person as a direct or indirect result of Buyer's purchase of the merchandise unless so indicated herein.
13. VENDOR WILL BE PAID WITHIN THIRTY (30) WORKING DAYS OF THE RECEIPT OF ALL PROPERLY EXECUTED LEASE DOCUMENTATION AND UPON LESSEE'S WRITTEN AND VERBAL ACCEPTANCE OF THE MERCHANDISE.
14. THE VENUE OF ANY COURT ACTION ARISING FROM THE PURCHASE ORDER SHALL BE THE LOS ANGELES JUDICIAL DISTRICT. BUYER'S ATTORNEY FEES AND COSTS OF ENFORCEMENT SHALL BE REIMBURSED WHETHER OR NOT ANY LEGAL PROCEEDING IS COMMENCED.
15. SUBSEQUENT EVENTS. Any events that occur that result in increased charge(s) to Buyer or Buyer's account resulting from our ownership of the merchandise, such as by example but not limited to, technical support, returned item charges, equipment additions or substitutions, etcetera, shall be billed and collected directly from the Lessee indicated herein. Invoices sent to Buyer for such charges will be forwarded to Lessee but it will be the Vendor's responsibility to collect on these charges. Vendor will indemnify Buyer against any damage to Buyer's credit resulting from these charges being incorrectly billed to Buyer.

# EXHIBIT 3

TEQlease EDUCATION FINANCE

# Master Lease Agreement # 412

| LESSOR: | TEQLEASE, INC.<br>23801 Calabasas Road, Suite 101<br>Calabasas, CA 91302 |
|---|---|

| LESSEE: | QUEST ACADEMY PREPARATORY EDUCATION<br>7495 W. Azure Drive, Suite 250<br>Las Vegas, NV 89149 |
|---|---|

We have written this Agreement in plain language because we want you to understand its terms. Please read your copy of this Agreement carefully and feel free to ask us any questions you may have. The word "Agreement" means this master lease agreement. The word "Schedule" means any lease schedule under this Agreement which has been signed by you and accepted by us. The word "Lease" means this Agreement and a Schedule. The words "you" and "your" mean the Lessee named above. The words "we", "us", and "our" refer to the Lessor named above. Other capitalized terms not otherwise defined in this Agreement are described in the Schedule.

TERMS AND CONDITIONS

1. LEASE. Subject to the terms of this Agreement, you agree to lease from us the Equipment described in each Schedule when we accept the Schedule at our office in California. ONCE WE ACCEPT THE SCHEDULE, YOU MAY NOT CANCEL IT DURING THE FULL LEASE TERM. Each Schedule will incorporate the terms of this Agreement and will constitute a separate Lease. You agree to be bound by all the terms of the Lease.

2. DELIVERY AND ACCEPTANCE OF EQUIPMENT. Acceptance of the Equipment occurs upon delivery. When you receive the Equipment, you agree to inspect it and to verify by telephone or in writing such information as we may require. Delivery and installation costs are your responsibility. If you signed a purchase contract for the Equipment, by signing the Schedule you assign your rights, but none of your obligations under it, to us.

3. RENT. You agree to pay us Rent (plus applicable taxes) in the amount and frequency stated on each Schedule. If your Rent payments are due in Advance, your first Rent payment is due on the first day of the month following the date you accept the Equipment under the Schedule. We will advise you as to (a) the due date of each Rent payment, and (b) the address to which you must send your payments. Rent is due whether or not you receive an invoice from us. You will pay us any required Advance Rent or Security Deposit when you sign each Schedule. Security Deposits or Advance Rents may be commingled and do not earn interest. Provided you are not in default, we may apply your Security Deposit to the last Rent payment or to your purchase option or we may refund the Security Deposit to you when the Lease Term expires and the Equipment is returned in accordance with Section 16. If we collect more than one payment as Advance Rent, we may apply such Advance Rent to the last Rent payment. You authorize us to change the Rent by not more than 15% due to changes in the Equipment configuration which may occur prior to our acceptance of the Schedule. Restrictive endorsements on checks you send to us will not reduce your obligations to us. **Unless a proper exemption certificate is provided, applicable sales and use taxes will be added to the Rent. Lessee may prepay its obligations hereunder at any time, without penalty, upon payment of a prepayment amount reasonably determined by Lessor.**

4. UNCONDITIONAL OBLIGATION. YOU AGREE THAT YOU ARE UNCONDITIONALLY OBLIGATED TO PAY ALL RENT AND ANY OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR THE FULL LEASE TERM EVEN IF THE EQUIPMENT IS DAMAGED OR DESTROYED, IF IT IS DEFECTIVE OR IF YOU HAVE TEMPORARY OR PERMANENT LOSS OF ITS USE. YOU ARE NOT ENTITLED TO REDUCE OR SET-OFF AGAINST RENT OR OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR ANY REASON WHATSOEVER.

5. DISCLAIMER OF WARRANTIES. THE EQUIPMENT IS BEING LEASED TO YOU IN AS-IS CONDITION. NO INDIVIDUAL IS AUTHORIZED TO CHANGE ANY PROVISION OF THE LEASE. YOU AGREE THAT YOU HAVE SELECTED THE EQUIPMENT BASED UPON YOUR OWN JUDGMENT. YOU HAVE NOT RELIED ON ANY STATEMENTS WE OR OUR EMPLOYEES HAVE MADE. EXCEPT AS PROVIDED IN OUR WRITTEN PRODUCT WARRANTIES, WE HAVE NOT MADE AND DO NOT MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, DESIGN, CONDITION, DURABILITY, OPERATION, QUALITY OF MATERIALS OR WORKMANSHIP, OR COMPLIANCE WITH SPECIFICATIONS OR APPLICABLE LAW. You are aware that we are the Equipment manufacturer and you will contact us for a description of your warranty rights. You agree to settle any dispute you may have regarding performance of the Equipment directly with us and not make any claim against any new owner described in Section 19. You agree to continue to pay such new owner all Rent and other payments even if you have a dispute with us regarding the Equipment.

6. TITLE AND SECURITY INTEREST If the Purchase Option amount stated on the Schedule is $1.00 (a "Dollar Purchase Option"), you shall have title to the Equipment immediately upon delivery and shall be deemed to be the owner of the Equipment as long as you are not in default under the Lease. In the event of a default, title to the equipment shall revert to us free and clear of any rights or interests you may have in the Equipment. If the Purchase Option amount stated on the Schedule is other than $1.00 (a "Stated Purchase Option"), the Equipment is and shall remain our sole property during the Lease Term. Unless you are in default under the Lease, you shall have the right to peacefully possess and use the Equipment during the Lease Term. To secure all of your obligations to us under the Lease you hereby grant us a security interest in (a) the Equipment to the extent of your interests in the Equipment, (b) anything attached or added to the Equipment at any time, (c) any money or property from the sale of the Equipment, and (d) any money from an insurance claim if the Equipment is lost or damaged. You agree that the security interest will not be affected if this Agreement or any Schedule is changed in any way. You hereby appoint us (or our agent) as your true lawful attorney-in-fact to affix your signature to UCC financing statements prepared and filed on your behalf by us (or our agent) with the same force and effect as if you had signed such financing statements. If we request, you agree to sign financing statements in order for us to publicly record our security interest. This Agreement or a copy of this Agreement shall be sufficient as a financing statement and may be filed as such.

7. USE, MAINTENANCE AND REPAIR. You will not move the Equipment from the Equipment Location without our advance written consent. You will give us reasonable access to the Equipment Location so that we can check the Equipment's existence, condition and proper maintenance. You will use the Equipment in the manner for which it was intended, as required by all applicable manuals and instructions and keep it eligible for any manufacturer's certification and/or standard, full service maintenance contract. At your own cost and expense, you will keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted. All replacement parts and repairs will become our property. You will not make any permanent alterations to the Equipment.

8. TAXES. You agree that you will pay us, when invoiced, all taxes (including any sales, use and personal property taxes), fines, interest and penalties relating to each Lease and the Equipment (excluding taxes based on our net income). If the Lease includes a Dollar Purchase Option, you agree to file any required personal property tax returns and, if we ask, you will provide us with proof of payment. We do not have to contest any tax assessments. For Leases with a Stated Purchase Option, (a) you will, at our discretion, either (1) reimburse us annually for all personal property taxes which we may be required to pay as the owner of the Equipment, or (2) remit to us each month our estimate of the monthly equivalent of the annual personal property taxes to be assessed, (b) you agree to pay us for the loss of any income tax benefits caused by your actions, and (c) should an increase in the federal corporate income tax rate or a change in the "accelerated cost recovery deductions" allowed by the Internal Revenue Code of 1986, as amended, adversely affect our after-tax earnings or cash flows, you agree that we may increase the Rent and other amounts due under each Lease to offset any such adverse effect.

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT (INCLUDING THOSE ON THE REVERSE SIDE) AND ANY SCHEDULES SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF A LEASE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF EACH LEASE. EACH LEASE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.

YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS AGREEMENT, ANY SCHEDULES AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS AGREEMENT WAS SIGNED. THIS AGREEMENT IS NOT BINDING UPON US OR EFFECTIVE UNLESS AND UNTIL WE EXECUTE THIS AGREEMENT. THIS AGREEMENT AND ALL SCHEDULES WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.

*ACCEPTED BY:*

LESSOR: TEQLEASE, INC.

BY: _____

TITLE: _____

DATE: _____

*PROPOSED BY:*

LESSEE: QUEST ACADEMY PREPARATORY EDUCATION

BY: [signature]

NAME & TITLE: David Olive, Governing Board President

DATE: 5-22-14 FED. TAX ID#: 20-4359631

ADDITIONAL TERMS ON REVERSE

EXHIBIT 3

9. INDEMNITY. We are not responsible for any [illegible]s, damages, penalties, claims or losses, including legal ex[illegible]s, incurred by you or any other person caused by the transportation, installation selection, purchase, lease, ownership, possession, modification, maintenance, condition, operation, use, return or disposition of the Equipment. You agree to reimburse us for and defend us against any claims for such losses, damages, penalties, claims, injuries, or expenses. This indemnity continues even after the Lease has expired for acts or omissions which occurred during the Lease Term.

10. IDENTIFICATION. You authorize us to insert or correct missing information on the Lease, including your official name, serial numbers and any other information describing the Equipment. We will send you copies of such changes. You will attach to the Equipment any name plates or stickers we provide you.

11. LOSS OR DAMAGE. You are responsible for any loss of the Equipment from any cause at all, whether or not insured, from the time the Equipment is shipped to you until it is returned to us. If any item of Equipment is lost, stolen or damaged, you will promptly notify us of such event. Then, at our option, you will either (a) repair the Equipment so that it is in good condition and working order, eligible for any manufacturer's certification, or (b) pay us an amount equal to the Net Book Value (as defined in Section 14) of the lost, stolen or damaged Equipment. If you have satisfied your obligations under this Section 11, we will forward to you any insurance proceeds which we receive for lost, damaged, or destroyed Equipment. If you are in default, we will apply any insurance proceeds we receive to reduce your obligations under Section 14 of this Agreement.

12. INSURANCE. You agree to (a) keep the Equipment fully insured against loss, naming us as loss payee, and (b) obtain a general public liability insurance policy covering both personal injury and property damage in amounts not less than we may tell you, naming us as additional insured, until you have met all of your obligations under the Lease. We are under no duty to tell you if your insurance coverage is adequate. The policies shall state that we are to be notified of any proposed cancellation at least 15 days prior to the date set for cancellation. Upon our request, you agree to provide us with certificates or other evidence of insurance acceptable to us. If you do not provide us with evidence of proper insurance within 10 days of our request or we receive notice of policy cancellation, we may (but we are not obligated to) obtain insurance on our interest in the Equipment at your expense. You will pay all insurance premiums and related charges.

13. DEFAULT. You will be in default under this Agreement if any of the following happens: (a) we do not receive any Rent or other payment due hereunder within 10 days after its due date, or (b) you or any of your guarantors become insolvent, are liquidated or dissolved, merge, transfer substantially all stock or assets, stop doing business, or assign rights or property for the benefit of creditors, or (c) a petition is filed by or against you or any of your guarantors under any bankruptcy or insolvency law, or (d) (for individuals) you or any of your guarantors die, or have a guardian appointed, or (e) any representation you have made in this Agreement shall prove to have been false or misleading in any material respect, or (f) you or any of your guarantors break any promise made in this Agreement or any guaranty and do not correct the default within 10 days after we send you written notice of the default, or (g) you default on any other agreement between you and us (or our affiliates).

14. REMEDIES. Upon the occurrence of a default, we may, in our sole discretion, do any or all of the following: (a) provide written notice to you of default; (b) as liquidated damages for loss of a bargain and not as a penalty, declare due and payable, the present value of (i) any and all amounts which may be then due and payable by you to us under the Lease, plus (ii) all Rent payments remaining through the end of the Lease Term, plus (iii) the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term, all discounted at the higher of 6% or the lowest rate allowed by law (collectively, the "Net Book Value"). We have the right to require you to make the Equipment available to us for repossession during reasonable business hours or we may repossess the Equipment, so long as we do not breach the peace in doing so, or we may use legal process in compliance with applicable law pursuant to court order to have the Equipment repossessed. You will not make any claims against us or the Equipment for trespass, damage or any other reason. If we take possession of the Equipment we may (a) sell or lease the Equipment at public or private sale or lease, and/or (b) exercise such other rights as may be allowed by applicable law. Although you agree that we have no obligation to sell the Equipment, if we do sell the Equipment, we will reduce the Net Book Value by the amounts we receive. You will immediately pay us the remaining Net Book Value. If the Lease includes a Dollar Purchase Option and we receive more than the Net Book Value plus our costs of sale, we will give you the excess. You agree (a) that we only need to give you 10 days advance notice of any sale and no notice of advertising, (b) to pay all of the costs we incur to enforce our rights against you, including attorney's fees, and (c) that we will retain all of our rights against you even if we do not choose to enforce them at the time of your default.

15. YOUR OPTIONS AT END OF LEASE. Provided you are not in default, upon expiration of a Lease with a Dollar Purchase Option, you shall purchase the Equipment at the end of the Lease Term for such amount and we will release any security interest we may have in the Equipment. Provided you are not in default, upon expiration of a Lease with a Stated Purchase Option, you shall have the option to (a) return the Equipment in accordance with Section 16, or (b) on 60 days advance written notice to us, purchase all but not less than all of the Equipment for the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term. If the Purchase Option is stated as a percentage, the Purchase Option amount shall be the product of such percentage multiplied by the Equipment Cost (as such term is defined in Section 21). If you elect to purchase the Equipment, upon payment of the agreed upon price including all sales taxes and other applicable taxes, we will transfer the Equipment to you **AS IS-WHERE IS, WITHOUT ANY REPRESENTATION OR WARRANTY.** If you fail to exercise the purchase option (a) you will continue to pay Rent until the Equipment is received and accepted by us pursuant to Section 16, and (b) all of the terms of the Lease shall continue to apply.

16. RETURN OF EQUIPMENT. If (a) a default occurs, (b) you do not purchase the Equipment at the end of the Lease Term, or (c) you do not extend the Lease Term, you will immediately return the Equipment to any location(s) and aboard any carrier(s) we may designate in the continental United States. The Equipment must be properly packed for shipment in accordance with the manufacturer's recommendations or specifications, freight prepaid and insured, maintained in accordance with Section 7, and in "Average Saleable Condition." "Average Saleable Condition" means that all of the Equipment is immediately available for use by a third party buyer, user or lessee, other than yourself, without the need for any repair or refurbishment. All Equipment must be free of markings. You will pay us for any missing or defective parts or accessories. You will continue to pay Rent until the Equipment is received and accepted by us.

17. YOUR REPRESENTATIONS. You state for our benefit that as of the date of each Lease (a) you have the lawful power and authority to enter into the Lease, (b) the individuals signing this Agreement and the Schedule have been duly authorized to do so on your behalf, (c) by entering into the Lease you will not violate any law or other agreement to which you are a party, (d) you are not aware of anything that will have a material negative effect on your ability to satisfy your obligations under the Lease, and (e) all financial information you have provided us is true and accurate and provides a good representation of your financial condition.

18. YOUR PROMISES. In addition to the other provisions of this Agreement, you agree that during the term of each Lease (a) you will promptly notify us in writing if you move your principal place of business, if you change the name of your business, or if there is a change in your ownership, (b) you will provide to us such financial information as we may reasonably request from time to time, and (c) you will take any action we reasonably request to protect our rights in the Equipment and to meet your obligations under the Lease.

19. ASSIGNMENT. **YOU WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE, SUB-LEASE OR PART WITH POSSESSION OF THE EQUIPMENT, OR FILE OR PERMIT A LIEN TO BE FILED AGAINST THE EQUIPMENT.** You will not attach any of the Equipment to any real estate. Upon our reasonable request and at your cost, you will get each person with an interest in the real estate where the Equipment is located to waive any rights they may have in the Equipment. We may, without notifying you, sell, assign, or transfer any Lease and our interests in the Equipment. You agree that if we do so, the new owner (and any subsequent owners) will have the same rights and benefits that we now have, but will not have to perform any of our obligations. You agree that the rights of the new owner will not be subject to any claims, defenses, or set-offs that you may have against us. However, any such assignment, sale, or transfer of the Lease or the Equipment will not relieve us of any obligations we may have to you under the Lease. If you are given notice of a new owner of a Lease, you agree to respond to any requests about the Lease and, if directed by us, to pay the new owner all Rent and other amounts due under the Lease.

20. COLLECTION EXPENSES, OVERDUE PAYMENT, TERMINATION. You agree that we can, but do not have to, take on your behalf any action which you fail to take as required by the Lease, and our expenses will be in addition to of the Rent which you owe us. We may charge you a late charge to cover our collection costs equal to the higher of 10% of any late payment or $22, but not more than the highest legal rate. To the extent allowed by law, any late payment or non-payment of any past due amount will accrue interest at the lower of 18% per annum or the highest legal rate from the due date until paid. If you so request and we permit the early termination of the Lease, you agree to pay a fee for such privilege.

21. AGREED LEASE RATE FACTOR. You understand that the Equipment may be purchased for cash (the "Equipment Cost") or it may be leased. By signing the Lease, you acknowledge that you have chosen to lease the Equipment from us for the Lease Term and that you have agreed to pay Rent. If the Lease provides for a Dollar Purchase Option, each payment of Rent includes a principal amount based on the Equipment Cost and a lease charge rate. The Equipment Cost is the Rent divided by the Lease Rate Factor. The lease charge portion of the Rent can be determined by applying to the Equipment Cost the rate which will amortize the Equipment Cost down to the Purchase Option amount (which may be a fixed amount or a percentage of the Equipment Cost) by payment of the Rent. The lease charge rate can also be calculated using the Equipment Cost as the present value, the Purchase Option amount as the future value, the Rent as the payment and the Lease Term as the term. The lease charge rate may be higher than the actual annual interest rate because of the amortization of certain costs, expenses and fees incurred by us. **We both intend to comply with all applicable laws. If it is determined that your payments under the Lease result in an interest payment higher than allowed by applicable law, then any excess interest collected will be applied to the repayment of principal and interest will be charged at the highest rate allowed by law. In no event will we charge or receive or will you pay any amounts in excess of the legal amount.**

22. MISCELLANEOUS. The Lease contains our entire agreement and supersedes any conflicting provision of any equipment purchase order or any other agreement. TIME IS OF THE ESSENCE IN THE LEASE. If a court finds any provision of this Agreement or any Schedule to be unenforceable, the remaining terms of the Lease shall remain in effect. EACH LEASE IS A "FINANCE LEASE" AS DEFINED IN ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE. You authorize us (or our agent) to (a) obtain credit reports, (b) make such other credit inquiries as we may deem necessary, and (c) furnish payment history information to credit reporting agencies. To the extent permitted by law, we may charge you a fee of $43.25 to cover our documentation and investigation costs.

23. NOTICES. All of your written notices to us must be sent by certified mail or recognized overnight delivery service, postage prepaid, to us at our address stated in this Agreement, or by facsimile transmission to our facsimile telephone number, with oral confirmation of receipt. All of our notices to you may be sent first class mail, postage prepaid, to your address stated in this Agreement. At any time after this Agreement is signed, you or we may change an address or facsimile telephone number by giving notice to the other of the change.

24. WAIVERS. **WE AND YOU EACH AGREE TO WAIVE AND TO TAKE ALL REQUIRED STEPS TO WAIVE ALL RIGHTS TO A JURY TRIAL.** To the extent you are permitted by applicable law, you waive all rights and remedies conferred upon a lessee by Article 2A (Sections 508-522) of the Uniform Commercial Code including but not limited to your rights to: (a) cancel or repudiate this Agreement; (b) reject or revoke acceptance of the Equipment; (c) recover damages from us for any breach of warranty or for any other reason; and (d) grant a security interest in any Equipment in your possession. To the extent you are permitted by applicable law, you waive any rights you now or later may have under any statute or otherwise which require us to sell or otherwise use any Equipment to reduce our damages, which require us to provide you with notice of default, intent to accelerate amounts becoming due or acceleration of amounts becoming due, or which may otherwise limit or modify any of our rights or remedies. **ANY ACTION YOU TAKE AGAINST US FOR ANY DEFAULT, INCLUDING BREACH OF WARRANTY OR INDEMNITY, MUST BE STARTED WITHIN ONE (1) YEAR AFTER THE EVENT WHICH CAUSED IT.** We will not be liable for specific performance of any Lease or for any losses, damages, delay or failure to deliver Equipment.

Lessee's Initials DCDSII

TEQlease EDUCATION FINANCE

Schedule # 001
Master Lease Agreement # 412

LESSOR: TEQLEASE, INC.
23801 Calabasas Road, Suite 101
Calabasas, CA 91302

LESSEE: QUEST ACADEMY PREPARATORY EDUCATION
7495 W. Azure Drive, Suite 250
Las Vegas, NV 89149

## EQUIPMENT SCHEDULE

School furniture and other equipment. The final Rent amount will be amended, if necessary, as determined by the final Equipment cost, by Lessor using the rate factor stated below. The Equipment configuration will be determined by invoices presented from Hertz Furniture Systems, which will be described in the Certificate of Acceptance. The Equipment consists of the following:

| Part # | Description | Qty | Price | Extended Price |
|---|---|---|---|---|
| | Per Hertz Furniture Quote No. 542997-000 for Quest Academy Preparatory Education for Azure Campus | 1 | $344,928.59 | 344,928.59 |
| | Per Hertz Furniture Quote No. 542990-000 for Quest Academy Preparatory Education for Bridger Campus | 1 | $284,095.05 | 284,095.05 |
| | | | Total | $629,023.64 |
| | | | | |

## TRANSACTION TERMS:

RENT: $178,377.89 per Year (Plus applicable taxes)
PAYABLE: Yearly in Advance
ADVANCE RENT: N/A
ADVANCE RENTAL/ DOWN PAYMENT N/A

Equipment Cost: $629,023.64
Discount: $0.00
e-Waste: $0.00
Taxes: $0.00
TOTAL: $629,023.64

EQUIPMENT PURCHASE OPTION at END of LEASE:
X $1.00 ___ Fair Market Value. ___ Other:

LEASE TERM: 4 Years (first rental due May 15, 2014, and annually thereafter on May 15.)
EQUIPMENT LOCATIONS: #1 - Azure Campus at 7845 W. Azure Drive, Las Vegas NV 89149
(IF DIFFERENT FROM LESSEE ADDRESS ABOVE) #2 - Bridger Campus at 1300 E. Bridger, Las Vegas NV 89101
LESSEE CONTACT/TELEPHONE: Karen Zeh, 702-515-4021 ext 2251, K.Zeh@QuestAcademyLV.com

THIS SCHEDULE INCORPORATES ALL OF THE TERMS AND CONDITIONS IN THE MASTER LEASE AGREEMENT BETWEEN LESSOR AND LESSEE IDENTIFIED ABOVE.

## IMPORTANT:

READ BEFORE SIGNING. THE TERMS OF THIS SCHEDULE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. THIS SCHEDULE INCORPORATES THE TERMS OF THE ABOVE IDENTIFIED MASTER LEASE AGREEMENT. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN SCHEDULE OR THE MASTER LEASE AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS SCHEDULE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS SCHEDULE. THIS SCHEDULE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.

YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS SCHEDULE AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS SCHEDULE WAS SIGNED. THIS SCHEDULE IS NOT BINDING UPON US OR EFFECTIVE UNTIL AND UNLESS WE EXECUTE THIS SCHEDULE. THIS SCHEDULE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.

*ACCEPTED BY:*
LESSOR: TEQLEASE, INC.

BY: _____
NAME & TITLE: _____
DATE: _____

*PROPOSED BY:*
LESSEE: QUEST ACADEMY PREPARATORY EDUCATION

BY: [signature]
NAME & TITLE: David Olive, Governing Board President
DATE: 5-22-14 FED. TAX ID#: 20-4359631

# EXHIBIT 4

TEQlease EDUCATION FINANCE

# Master Lease Agreement # 412

| LESSOR: | TEQLEASE, INC.<br>23801 Calabasas Road, Suite 101<br>Calabasas, CA 91302 |
|---|---|

| LESSEE: | QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL<br>7495 W. Azure Drive, Suite 250<br>Las Vegas, NV 89149 |
|---|---|

**We have written this Agreement in plain language because we want you to understand its terms. Please read your copy of this Agreement carefully and feel free to ask us any questions you may have. The word "Agreement" means this master lease agreement. The word "Schedule" means any lease schedule under this Agreement which has been signed by you and accepted by us. The word "Lease" means this Agreement and a Schedule. The words "you" and "your" mean the Lessee named above. The words "we", "us", and "our" refer to the Lessor named above. Other capitalized terms not otherwise defined in this Agreement are described in the Schedule.**

TERMS AND CONDITIONS

1. **LEASE.** Subject to the terms of this Agreement, you agree to lease from us the Equipment described in each Schedule when we accept the Schedule at our office in California. **ONCE WE ACCEPT THE SCHEDULE, YOU MAY NOT CANCEL IT DURING THE FULL LEASE TERM.** Each Schedule will incorporate the terms of this Agreement and will constitute a separate Lease. You agree to be bound by all the terms of the Lease.

2. **DELIVERY AND ACCEPTANCE OF EQUIPMENT.** Acceptance of the Equipment occurs upon delivery. When you receive the Equipment, you agree to inspect it and to verify by telephone or in writing such information as we may require. Delivery and installation costs are your responsibility. If you signed a purchase contract for the Equipment, by signing the Schedule you assign your rights, but none of your obligations under it, to us.

3. **RENT.** You agree to pay us Rent (plus applicable taxes) in the amount and frequency stated on each Schedule. If your Rent payments are due in Advance, your first Rent payment is due on the first day of the month following the date you accept the Equipment under the Schedule. We will advise you as to (a) the due date of each Rent payment, and (b) the address to which you must send your payments. Rent is due whether or not you receive an invoice from us. You will pay us any required Advance Rent or Security Deposit when you sign each Schedule. Security Deposits or Advance Rents may be commingled and do not earn interest. Provided you are not in default, we may apply your Security Deposit to the last Rent payment or to your purchase option or we may refund the Security Deposit to you when the Lease Term expires and the Equipment is returned in accordance with Section 16. If we collect more than one payment as Advance Rent, we may apply such Advance Rent to the last Rent payment. You authorize us to change the Rent by not more than 15% due to changes in the Equipment configuration which may occur prior to our acceptance of the Schedule. Restrictive endorsements on checks you send to us will not reduce your obligations to us. **Unless a proper exemption certificate is provided, applicable sales and use taxes will be added to the Rent. Lessee may prepay its obligations hereunder at any time, without penalty, upon payment of a prepayment amount reasonably determined by Lessor.**

4. **UNCONDITIONAL OBLIGATION. YOU AGREE THAT YOU ARE UNCONDITIONALLY OBLIGATED TO PAY ALL RENT AND ANY OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR THE FULL LEASE TERM EVEN IF THE EQUIPMENT IS DAMAGED OR DESTROYED, IF IT IS DEFECTIVE OR IF YOU HAVE TEMPORARY OR PERMANENT LOSS OF ITS USE. YOU ARE NOT ENTITLED TO REDUCE OR SET-OFF AGAINST RENT OR OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR ANY REASON WHATSOEVER.**

5. **DISCLAIMER OF WARRANTIES. THE EQUIPMENT IS BEING LEASED TO YOU IN AS-IS CONDITION. NO INDIVIDUAL IS AUTHORIZED TO CHANGE ANY PROVISION OF THE LEASE. YOU AGREE THAT YOU HAVE SELECTED THE EQUIPMENT BASED UPON YOUR OWN JUDGMENT. YOU HAVE NOT RELIED ON ANY STATEMENTS WE OR OUR EMPLOYEES HAVE MADE. EXCEPT AS PROVIDED IN OUR WRITTEN PRODUCT WARRANTIES, WE HAVE NOT MADE AND DO NOT MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, DESIGN, CONDITION, DURABILITY, OPERATION, QUALITY OF MATERIALS OR WORKMANSHIP, OR COMPLIANCE WITH SPECIFICATIONS OR APPLICABLE LAW.** You are aware that we are the Equipment manufacturer and you will contact us for a description of your warranty rights. You agree to settle any dispute you may have regarding performance of the Equipment directly with us and not make any claim against any new owner described in Section 19. You agree to continue to pay such new owner all Rent and other payments even if you have a dispute with us regarding the Equipment.

6. **TITLE AND SECURITY INTEREST** If the Purchase Option amount stated on the Schedule is $1.00 (a "Dollar Purchase Option"), you shall have title to the Equipment immediately upon delivery and shall be deemed to be the owner of the Equipment as long as you are not in default under the Lease. In the event of a default, title to the equipment shall revert to us free and clear of any rights or interests you may have in the Equipment. If the Purchase Option amount stated on the Schedule is other than $1.00 (a "Stated Purchase Option"), the Equipment is and shall remain our sole property during the Lease Term. Unless you are in default under the Lease, you shall have the right to peacefully possess and use the Equipment during the Lease Term. To secure all of your obligations to us under the Lease you hereby grant us a security interest in (a) the Equipment to the extent of your interests in the Equipment, (b) anything attached or added to the Equipment at any time, (c) any money or property from the sale of the Equipment, and (d) any money from an insurance claim if the Equipment is lost or damaged. You agree that the security interest will not be affected if this Agreement or any Schedule is changed in any way. You hereby appoint us (or our agent) as your true lawful attorney-in-fact to affix your signature to UCC financing statements prepared and filed on your behalf by us (or our agent) with the same force and effect as if you had signed such financing statements. If we request, you agree to sign financing statements in order for us to publicly record our security interest. This Agreement or a copy of this Agreement shall be sufficient as a financing statement and may be filed as such.

7. **USE, MAINTENANCE AND REPAIR.** You will not move the Equipment from the Equipment Location without our advance written consent. You will give us reasonable access to the Equipment Location so that we can check the Equipment's existence, condition and proper maintenance. You will use the Equipment in the manner for which it was intended, as required by all applicable manuals and instructions and keep it eligible for any manufacturer's certification and/or standard, full service maintenance contract. At your own cost and expense, you will keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted. All replacement parts and repairs will become our property. You will not make any permanent alterations to the Equipment.

8. **TAXES.** You agree that you will pay us, when invoiced, all taxes (including any sales, use and personal property taxes), fines, interest and penalties relating to each Lease and the Equipment (excluding taxes based on our net income). If the Lease includes a Dollar Purchase Option, you agree to file any required personal property tax returns and, if we ask, you will provide us with proof of payment. We do not have to contest any tax assessments. For Leases with a Stated Purchase Option, (a) you will, at our discretion, either (1) reimburse us annually for all personal property taxes which we may be required to pay as the owner of the Equipment, or (2) remit to us each month our estimate of the monthly equivalent of the annual personal property taxes to be assessed, (b) you agree to pay us for the loss of any income tax benefits caused by your actions, and (c) should an increase in the federal corporate income tax rate or a change in the "accelerated cost recovery deductions" allowed by the Internal Revenue Code of 1986, as amended, adversely affect our after-tax earnings or cash flows, you agree that we may increase the Rent and other amounts due under each Lease to offset any such adverse effect.

**IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT (INCLUDING THOSE ON THE REVERSE SIDE) AND ANY SCHEDULES SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF A LEASE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF EACH LEASE. EACH LEASE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.**

**YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS AGREEMENT, ANY SCHEDULES AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS AGREEMENT WAS SIGNED. THIS AGREEMENT IS NOT BINDING UPON US OR EFFECTIVE UNLESS AND UNTIL WE EXECUTE THIS AGREEMENT. THIS AGREEMENT AND ALL SCHEDULES WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.**

*ACCEPTED BY:*

LESSOR: TEQLEASE, INC.

BY: _____

TITLE: Michael P. Lockwood, President

DATE: May 18, 2015

*PROPOSED BY:*

LESSEE: QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL

BY: _____

NAME & TITLE: David Olive, Governing Board President

DATE: May 18, 2015 FED. TAX ID#: 20-4359631

ADDITIONAL TERMS ON REVERSE

EXHIBIT 4

**9. INDEMNITY.** We are not responsible for any injuries, damages, penalties, claims or losses, including legal expenses, incurred by you or any other person caused by the transportation, installation selection, purchase, lease, ownership, possession, modification, maintenance, condition, operation, use, return or disposition of the Equipment. You agree to reimburse us for and defend us against any claims for such losses, damages, penalties, claims, injuries, or expenses. This indemnity continues even after the Lease has expired for acts or omissions which occurred during the Lease Term.

**10. IDENTIFICATION.** You authorize us to insert or correct missing information on the Lease, including your official name, serial numbers and any other information describing the Equipment. We will send you copies of such changes. You will attach to the Equipment any name plates or stickers we provide you.

**11. LOSS OR DAMAGE.** You are responsible for any loss of the Equipment from any cause at all, whether or not insured, from the time the Equipment is shipped to you until it is returned to us. If any item of Equipment is lost, stolen or damaged, you will promptly notify us of such event. Then, at our option, you will either (a) repair the Equipment so that it is in good condition and working order, eligible for any manufacturer's certification, or (b) pay us an amount equal to the Net Book Value (as defined in Section 14) of the lost, stolen or damaged Equipment. If you have satisfied your obligations under this Section 11, we will forward to you any insurance proceeds which we receive for lost, damaged, or destroyed Equipment. If you are in default, we will apply any insurance proceeds we receive to reduce your obligations under Section 14 of this Agreement.

**12. INSURANCE.** You agree to (a) keep the Equipment fully insured against loss, naming us as loss payee, and (b) obtain a general public liability insurance policy covering both personal injury and property damage in amounts not less than we may tell you, naming us as additional insured, until you have met all of your obligations under the Lease. We are under no duty to tell you if your insurance coverage is adequate. The policies shall state that we are to be notified of any proposed cancellation at least 15 days prior to the date set for cancellation. Upon our request, you agree to provide us with certificates or other evidence of insurance acceptable to us. If you do not provide us with evidence of proper insurance within 10 days of our request or we receive notice of policy cancellation, we may (but we are not obligated to) obtain insurance on our interest in the Equipment at your expense. You will pay all insurance premiums and related charges.

**13. DEFAULT.** You will be in default under this Agreement if any of the following happens: (a) we do not receive any Rent or other payment due hereunder within 10 days after its due date, or (b) you or any of your guarantors become insolvent, are liquidated or dissolved, merge, transfer substantially all stock or assets, stop doing business, or assign rights or property for the benefit of creditors, or (c) a petition is filed by or against you or any of your guarantors under any bankruptcy or insolvency law, or (d) (for individuals) you or any of your guarantors die, or have a guardian appointed, or (e) any representation you have made in this Agreement shall prove to have been false or misleading in any material respect, or (f) you or any of your guarantors break any promise made in this Agreement or any guaranty and do not correct the default within 10 days after we send you written notice of the default, or (g) you default on any other agreement between you and us (or our affiliates).

**14. REMEDIES.** Upon the occurrence of a default, we may, in our sole discretion, do any or all of the following: (a) provide written notice to you of default; (b) as liquidated damages for loss of a bargain and not as a penalty, declare due and payable, the present value of (i) any and all amounts which may be then due and payable by you to us under the Lease, plus (ii) all Rent payments remaining through the end of the Lease Term, plus (iii) the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term, all discounted at the higher of 6% or the lowest rate allowed by law (collectively, the "Net Book Value"). We have the right to require you to make the Equipment available to us for repossession during reasonable business hours or we may repossess the Equipment, so long as we do not breach the peace in doing so, or we may use legal process in compliance with applicable law pursuant to court order to have the Equipment repossessed. You will not make any claims against us or the Equipment for trespass, damage or any other reason. If we take possession of the Equipment we may (a) sell or lease the Equipment at public or private sale or lease, and/or (b) exercise such other rights as may be allowed by applicable law. Although you agree that we have no obligation to sell the Equipment, if we do sell the Equipment, we will reduce the Net Book Value by the amounts we receive. You will immediately pay us the remaining Net Book Value. If the Lease includes a Dollar Purchase Option and we receive more than the Net Book Value plus our costs of sale, we will give you the excess. You agree (a) that we only need to give you 10 days advance notice of any sale and no notice of advertising, (b) to pay all of the costs we incur to enforce our rights against you, including attorney's fees, and (c) that we will retain all of our rights against you even if we do not choose to enforce them at the time of your default.

**15. YOUR OPTIONS AT END OF LEASE.** Provided you are not in default, upon expiration of a Lease with a Dollar Purchase Option, you shall purchase the Equipment at the end of the Lease Term for such amount and we will release any security interest we may have in the Equipment. Provided you are not in default, upon expiration of a Lease with a Stated Purchase Option, you shall have the option to (a) return the Equipment in accordance with Section 16, or (b) on 60 days advance written notice to us, purchase all but not less than all of the Equipment for the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term. If the Purchase Option is stated as a percentage, the Purchase Option amount shall be the product of such percentage multiplied by the Equipment Cost (as such term is defined in Section 21). If you elect to purchase the Equipment, upon payment of the agreed upon price including all sales taxes and other applicable taxes, we will transfer the Equipment to you **AS IS-WHERE IS, WITHOUT ANY REPRESENTATION OR WARRANTY.** If you fail to exercise the purchase option (a) you will continue to pay Rent until the Equipment is received and accepted by us pursuant to Section 16, and (b) all of the terms of the Lease shall continue to apply.

**16. RETURN OF EQUIPMENT.** If (a) a default occurs, (b) you do not purchase the Equipment at the end of the Lease Term, or (c) you do not extend the Lease Term, you will immediately return the Equipment to any location(s) and aboard any carrier(s) we may designate in the continental United States. The Equipment must be properly packed for shipment in accordance with the manufacturer's recommendations or specifications, freight prepaid and insured, maintained in accordance with Section 7, and in "Average Saleable Condition." "Average Saleable Condition" means that all of the Equipment is immediately available for use by a third party buyer, user or lessee, other than yourself, without the need for any repair or refurbishment. All Equipment must be free of markings. You will pay us for any missing or defective parts or accessories. You will continue to pay Rent until the Equipment is received and accepted by us.

**17. YOUR REPRESENTATIONS.** You state for our benefit that as of the date of each Lease (a) you have the lawful power and authority to enter into the Lease, (b) the individuals signing this Agreement and the Schedule have been duly authorized to do so on your behalf, (c) by entering into the Lease you will not violate any law or other agreement to which you are a party, (d) you are not aware of anything that will have a material negative effect on your ability to satisfy your obligations under the Lease, and (e) all financial information you have provided us is true and accurate and provides a good representation of your financial condition.

**18. YOUR PROMISES.** In addition to the other provisions of this Agreement, you agree that during the term of each Lease (a) you will promptly notify us in writing if you move your principal place of business, if you change the name of your business, or if there is a change in your ownership, (b) you will provide to us such financial information as we may reasonably request from time to time, and (c) you will take any action we reasonably request to protect our rights in the Equipment and to meet your obligations under the Lease.

**19. ASSIGNMENT. YOU WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE, SUB-LEASE OR PART WITH POSSESSION OF THE EQUIPMENT, OR FILE OR PERMIT A LIEN TO BE FILED AGAINST THE EQUIPMENT.** You will not attach any of the Equipment to any real estate. Upon our reasonable request and at your cost, you will get each person with an interest in the real estate where the Equipment is located to waive any rights they may have in the Equipment. We may, without notifying you, sell, assign, or transfer any Lease and our interests in the Equipment. You agree that if we do so, the new owner (and any subsequent owners) will have the same rights and benefits that we now have, but will not have to perform any of our obligations. You agree that the rights of the new owner will not be subject to any claims, defenses, or set-offs that you may have against us. However, any such assignment, sale, or transfer of the Lease or the Equipment will not relieve us of any obligations we may have to you under the Lease. If you are given notice of a new owner of a Lease, you agree to respond to any requests about the Lease and, if directed by us, to pay the new owner all Rent and other amounts due under the Lease.

**20. COLLECTION EXPENSES, OVERDUE PAYMENT, TERMINATION.** You agree that we can, but do not have to, take on your behalf any action which you fail to take as required by the Lease, and our expenses will be in addition to of the Rent which you owe us. We may charge you a late charge to cover our collection costs equal to the higher of 10% of any late payment or $22, but not more than the highest legal rate. To the extent allowed by law, any late payment or non-payment of any past due amount will accrue interest at the lower of 18% per annum or the highest legal rate from the due date until paid. If you so request and we permit the early termination of the Lease, you agree to pay a fee for such privilege.

**21. AGREED LEASE RATE FACTOR.** You understand that the Equipment may be purchased for cash (the "Equipment Cost") or it may be leased. By signing the Lease, you acknowledge that you have chosen to lease the Equipment from us for the Lease Term and that you have agreed to pay Rent. If the Lease provides for a Dollar Purchase Option, each payment of Rent includes a principal amount based on the Equipment Cost and a lease charge rate. The Equipment Cost is the Rent divided by the Lease Rate Factor. The lease charge portion of the Rent can be determined by applying to the Equipment Cost the rate which will amortize the Equipment Cost down to the Purchase Option amount (which may be a fixed amount or a percentage of the Equipment Cost) by payment of the Rent. The lease charge rate can also be calculated using the Equipment Cost as the present value, the Purchase Option amount as the future value, the Rent as the payment and the Lease Term as the term. The lease charge rate may be higher than the actual annual interest rate because of the amortization of certain costs, expenses and fees incurred by us. **We both intend to comply with all applicable laws. If it is determined that your payments under the Lease result in an interest payment higher than allowed by applicable law, then any excess interest collected will be applied to the repayment of principal and interest will be charged at the highest rate allowed by law. In no event will we charge or receive or will you pay any amounts in excess of the legal amount.**

**22. MISCELLANEOUS.** The Lease contains our entire agreement and supersedes any conflicting provision of any equipment purchase order or any other agreement. **TIME IS OF THE ESSENCE IN THE LEASE.** If a court finds any provision of this Agreement or any Schedule to be unenforceable, the remaining terms of the Lease shall remain in effect. **EACH LEASE IS A "FINANCE LEASE" AS DEFINED IN ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE.** You authorize us (or our agent) to (a) obtain credit reports, (b) make such other credit inquiries as we may deem necessary, and (c) furnish payment history information to credit reporting agencies. To the extent permitted by law, we may charge you a fee of $43.25 to cover our documentation and investigation costs.

**23. NOTICES.** All of your written notices to us must be sent by certified mail or recognized overnight delivery service, postage prepaid, to us at our address stated in this Agreement, or by facsimile transmission to our facsimile telephone number, with oral confirmation of receipt. All of our notices to you may be sent first class mail, postage prepaid, to your address stated in this Agreement. At any time after this Agreement is signed, you or we may change an address or facsimile telephone number by giving notice to the other of the change.

**24. WAIVERS. WE AND YOU EACH AGREE TO WAIVE AND TO TAKE ALL REQUIRED STEPS TO WAIVE ALL RIGHTS TO A JURY TRIAL.** To the extent you are permitted by applicable law, you waive all rights and remedies conferred upon a lessee by Article 2A (Sections 508-522) of the Uniform Commercial Code including but not limited to your rights to: (a) cancel or repudiate this Agreement; (b) reject or revoke acceptance of the Equipment; (c) recover damages from us for any breach of warranty or for any other reason; and (d) grant a security interest in any Equipment in your possession. To the extent you are permitted by applicable law, you waive any rights you now or later may have under any statute or otherwise which require us to sell or otherwise use any Equipment to reduce our damages, which require us to provide you with notice of default, intent to accelerate amounts becoming due or acceleration of amounts becoming due, or which may otherwise limit or modify any of our rights or remedies. **ANY ACTION YOU TAKE AGAINST US FOR ANY DEFAULT, INCLUDING BREACH OF WARRANTY OR INDEMNITY, MUST BE STARTED WITHIN ONE (1) YEAR AFTER THE EVENT WHICH CAUSED IT.** We will not be liable for specific performance of any Lease or for any losses, damages, delay or failure to deliver Equipment.

Lessee's Initials

TEQlease EDUCATION FINANCE

Schedule # 001
Master Lease Agreement # 412

LESSOR: TEQLEASE, INC.
23801 Calabasas Road, Suite 101
Calabasas, CA 91302

LESSEE: QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL
7495 W. Azure Drive, Suite 250
Las Vegas, NV 89149

**EQUIPMENT SCHEDULE**

Personal computers and other equipment. The final Rent amount will be amended, if necessary, as determined by the final Equipment cost, by Lessor using the rate factor stated below. The Equipment configuration will be determined by invoices presented from Hertz Furniture Systems, which will be described in the Certificate of Acceptance. The Equipment consists of the following:

**Equipment Location No. 1:**

Quest Academy Preparatory Education Azure Campus
7485 West Azure Drive
Las Vegas, NV 89149

Equipment Cost: $337,764.19

| Item | Item No. | Description | Qty | Cost per Item | Total Cost |
|---|---|---|---|---|---|
| 1 | VBA-46 | 6'x4' Vinyl Bulletin Board w/Alum. Frame | 32 | $115.00 | $3,680.00 |
| 2 | VBA-48 | 8'x4' Vinyl Bulletin Board w/Alum. Frame | 22 | $149.00 | $3,278.00 |
| 3 | INS-718 | 18"h inspiration value classroom chair | 470 | $43.95 | $20,656.50 |
| 4 | WAD-1800 | Wheelchair accessible school desk - laminate | 16 | $131.95 | $2,111.20 |
| 5 | PET-BOOK | Wire Book Rack for Petal Desk | 360 | $28.00 | $10,080.00 |
| 6 | ACD-2468RP | Deluxe Nate Teacher's Station with Removable Pedestal | 16 | $1,139.00 | $18,224.00 |
| 7 | GS-2460ADJ | 60x24 Group-Study Rectangular Table | 195 | $116.00 | $22,620.00 |
| 8 | PET-1900HPC | Colored Petal Classroom Desk with Hard Plastic Top | 36 | $204.95 | $7,378.20 |
| 9 | ACD-3048 | Nate junior single-pedestal teacher's desk | 5 | $487.00 | $2,435.00 |
| 10 | INS-658D | Inspiration swivel drafting stool | 3 | $133.95 | $401.85 |
| 11 | ACB-96D | All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | 32 | $999.00 | $31,968.00 |
| 12 | DRY-2440 | 18"x24" Port-O-Rack Drying Rack - 40 Shelves | 1 | $659.00 | $659.00 |
| 13 | 999-374S | Hd mobile stg | 2 | $1,173.00 | $2,346.00 |
| 14 | 999-3620-27 | Cot medical wood leg | 1 | $201.80 | $201.80 |
| 15 | DVM-4751K | Mobile tote tray storage | 6 | $1,369.00 | $8,214.00 |
| 16 | DVR-4342 | 54"wx30"d extra-large mobile demo center | 2 | $2,049.00 | $4,098.00 |
| 17 | DVR-4342F | 54"Wx30"D Extra Large Mobile Demo Center with Flat Top | 1 | $1,599.00 | $1,599.00 |
| 18 | MZE-3000 | The maze office chair | 43 | $139.00 | $5,977.00 |
| 19 | 999-7011 | Guest chair | 2 | $102.93 | $205.86 |
| 20 | 999-CDU-3220 | Circulation desk ADA 36w | 1 | $1,139.00 | $1,139.00 |
| 21 | 999-CDU-3902 | Cir desk patron desk 36wx39h | 1 | $937.00 | $937.00 |
| 22 | 999-QSD-48S | Lib shelf 23.75x37x48h | 2 | $683.00 | $1,366.00 |
| 23 | 999-OVB-72 | Sf back panel lib shelf 72h | 7 | $93.00 | $651.00 |
| 24 | RWD-CART | Titan cart | 2 | $187.00 | $374.00 |
| 25 | 999-QSS-72-A | Fusion lib shelf 12x37x72h | 5 | $342.00 | $1,710.00 |
| 26 | 999-QSS-72-S | Fusion lib shelf 12x37x72h starter | 2 | $450.00 | $900.00 |
| 27 | 999-CDU-3218 | Circ desk end panel 32h | 1 | $237.00 | $237.00 |
| 28 | 999-5833 Storage Unit | Custom Storage Unit w/locking Door | 56 | $795.00 | $44,520.00 |
| 29 | 999-5833CUSTOM | Storage Unit W/LOCKING Door Cubby Quote #39868 | 12 | $795.00 | $9,540.00 |
| 30 | 999-3MM1-5866 | Wardrobe storage unit | 18 | $707.00 | $12,726.00 |
| 31 | 999-5832 | Storage cabinet | 4 | $635.00 | $2,540.00 |
| 32 | CTM-72SB | 4-Shelf Bookcase with Solid Back | 2 | $274.00 | $548.00 |
| 33 | 999-665A-665C/190/24/665C/191/24 | Cubicle corner section | 3 | $1,950.00 | $5,850.00 |
| 34 | 999-MAN5-239BT | Bowfront Office Desk 36x72 | 1 | $753.00 | $753.00 |
| 35 | 999-3MM1-5003/4X(MOD 42W) | Bridge office desk | 1 | $205.00 | $205.00 |
| 36 | 999-MAN5-268BT | Desk, office credenza, BBF (RH) | 1 | $650.00 | $650.00 |
| 37 | 138130 | Custom table to seat 11 people Candex quote #138130 | 1 | $5,800.00 | $5,800.00 |
| 38 | 999-#MM2-555/#MM2-538 | Teacher mailbox, 30 | 1 | $997.00 | $997.00 |
| 39 | 999-CTM-48R | Round table 42d | 1 | $352.00 | $352.00 |
| 40 | 999-577-3MM1 | Lateral file 4 drawer | 5 | $895.00 | $4,475.00 |
| 41 | 999-S1831K4/S0785T1 | Tablet arm chair starter grade 10 fabric | 8 | $1,081.00 | $8,648.00 |
| 42 | MYS-1006 | Mystic 3-seat bench | 2 | $363.00 | $726.00 |
| 43 | 999-S1831K4 | Chair w/Arms Grade 10 Fabric | 1 | $942.00 | $942.00 |
| 44 | 999-S3831K4 | Sofa w/Arms Grade 10 Fabric | 2 | $1,758.00 | $3,516.00 |
| 45 | MYS-1285 | Mystic end table | 1 | $164.00 | $164.00 |
| 46 | MYS-1802C | Mystic Stacking Guest Chair with Casters | 18 | $249.00 | $4,482.00 |
| 47 | MYS-1772S | Mystic 72x36" Conference Table with Shelf | 3 | $699.00 | $2,097.00 |

| | | | | | |
|---|---|---|---|---|---|
| 48 | ZST-6624N | 24"H Seat Heavy-Duty Z-Stool without Backrest | 96 | $87.95 | $8,443.20 |
| 49 | NMS-82 | Music Stand, Height and Angle Adjustable | 28 | $38.00 | $1,064.00 |
| 50 | NMS-CART20 | Music Stand Cart for 20 Stands | 2 | $329.00 | $658.00 |
| 51 | 999-55296 | Desk reception circular | 1 | $5,499.80 | $5,499.80 |
| 52 | 999-211T | Chair tablet arm adder | 91 | $187.00 | $17,017.00 |
| 53 | 999-212T | Chair tablet arm | 19 | $260.00 | $4,940.00 |
| 54 | ESL-612PA | Vision Sound Lectern with Built-In LCD Screen | 1 | $699.00 | $699.00 |
| 55 | 999-CDR-3905 | Fus circ dedk library book return | 1 | $852.00 | $852.00 |
| 56 | 999-CDR-3916 | Fus circ desk lib corner unit | 1 | $1,030.00 | $1,030.00 |
| 57 | 999-RW3643CAFE | Table lib cafe 36"dia | 3 | $775.00 | $2,325.00 |
| 58 | 999-RW-FF18WB | Library chair | 24 | $137.40 | $3,297.60 |
| 59 | 999-RW-FF29WB | Library chair, bar stool | 6 | $182.95 | $1,097.70 |
| 60 | 999-PS-294R01 MOD | 30"D Metal Legs Activity Table 30x60 | 6 | $631.55 | $3,789.30 |
| 61 | FNG-2460 | 60"lx24"w flip n go training table | 15 | $416.00 | $6,240.00 |
| 62 | ATM-874 | 36"wx24"dx78"h mobile cabinet full height | 1 | $639.00 | $639.00 |
| 63 | SBT-4260PHH | 60"lx42"w 36h solid phenolic top | 24 | $849.00 | $20,376.00 |
| 64 | MBR-440 | 4'x6' Mobile Porcelain Music and Cork Board Alum Frame | 1 | $719.00 | $719.00 |
| 65 | SPI-375 | 60"w spirit display case | 1 | $2,249.00 | $2,249.00 |
| 66 | SBT-83060H | 60"lx30"w 36h science-bio table | 1 | $327.00 | $327.00 |
| 67 | FREIGHT | | | | $23,883.63 |
| 68 | INSTALLATION | | | | $29,245.00 |
| | | | | TOTAL COST | $397,369.64 |
| | | | | DISCOUNT | -$59,605.45 |
| | | | | FINAL COST | $337,764.19 |

**Equipment Location No. 2:**

Quest Academy Preparatory Education Bridger Campus
1300 East Bridger Avenue
Las Vegas, NV 89101

Equipment Cost: $173,599.79

| Item | Item No. | Description | Qty | Cost per Item | Total Cost |
|---|---|---|---|---|---|
| 1 | VBA-46 | 6'x4' Vinyl Bulletin Board w/Alum. Frame | 20 | $115.00 | $2,300.00 |
| 2 | SYN-4896 | 4'x8' Syncoat Magnetic Markerboard | 7 | $229.00 | $1,603.00 |
| 3 | VBA-48 | 8'x4' Vinyl Bulletin Board w/Alum. Frame | 2 | $149.00 | $298.00 |
| 4 | INS-718 | 18"H Inspiration Value Classroom Chair | 180 | $43.95 | $7,911.00 |
| 5 | WAD-1800 | Wheelchair Accessible School Desk - Laminate | 11 | $131.95 | $1,451.45 |
| 6 | ACD-2468RP | Deluxe Nate Teacher's Station with Removable Pedestal | 10 | $1,139.00 | $11,390.00 |
| 7 | GS-2460ADJ | 60x24 Group-Study Rectangular Table | 143 | $116.00 | $16,588.00 |
| 8 | PET-1900HPC | Colored Petal Classroom Desk with Hard Plastic Top | 12 | $204.95 | $2,459.40 |
| 9 | ACD-3048 | Nate Junior Single-Pedestal Teacher's Desk | 1 | $487.00 | $487.00 |
| 10 | INS-658D | Inspiration Swivel Drafting Stool | 1 | $133.95 | $133.95 |
| 11 | INS-714 | 14"H Inspiration Value Classroom Chair | 60 | $38.55 | $2,313.00 |
| 12 | INS-716 | 15.5"H Inspiration Value Classroom Chair | 60 | $42.95 | $2,577.00 |
| 13 | GS-4872ADJ | 21-29"h group-study kidney shaped table | 5 | $199.00 | $995.00 |
| 14 | ACB-96D | All-In-One Table/Bench Unit 8 Feet with Dyna-Rock Edge | 30 | $999.00 | $29,970.00 |
| 15 | DRY-2440 | 18"x24" Port-O-Rack Drying Rack - 40 Shelves | 1 | $659.00 | $659.00 |
| 16 | 999-374S | Hd mobile stg | 2 | $1,173.00 | $2,346.00 |
| 17 | CBB-6135 | 35in. Childrens bean bag | 3 | $65.00 | $195.00 |
| 18 | 999-3620-27 | Medical cot 27w wood leg | 1 | $201.80 | $201.80 |
| 19 | MZE-3000 | The maze office chair | 18 | $139.00 | $2,502.00 |
| 20 | ULT-3902 | Ultima Patron Desk with Recessed Worksurface | 1 | $1,079.00 | $1,079.00 |
| 21 | ULT-D32 | Ultima depressible book truck | 1 | $1,089.00 | $1,089.00 |
| 22 | ULT-3220 | Ultima ada desk | 1 | $1,139.00 | $1,139.00 |
| 23 | 999-CDU-3218 | Circ desk, end panel 32h | 1 | $237.00 | $237.00 |
| 24 | 999-DS-243631/A-TC | Mobile Base Library Book Bin Display | 1 | $865.00 | $865.00 |
| 25 | 999-QSS-42-A | Fusion lib shelf 12x36x42h adder | 4 | $229.00 | $916.00 |
| 26 | 999-5833 | Custom storage unit locking door cubby quote#39868 | 44 | $795.00 | $34,980.00 |
| 27 | 999-3MM1-5866 | Storage unit wardrobe | 11 | $707.00 | $7,777.00 |
| 28 | 999-3MM2-555 | MAILBOX-TEACHER,30 3MM2-538 | 1 | $0.00 | $0.00 |
| 29 | 999-5860 | Reception, Curved Bench Grade 9 Fabric | 3 | $1,269.25 | $3,807.75 |
| 30 | 999-5836V | Reception, Curved Table Grade 9 Fabric | 2 | $676.35 | $1,352.70 |
| 31 | 999- S1831K4/S0785T1 | Tablet Arm Chair Starter Grade 10 Fabric | 6 | $1,081.00 | $6,486.00 |
| 32 | MYS-1772S | Mystic 72x36" Conference Table with Shelf | 1 | $699.00 | $699.00 |
| 33 | FNG-2460 | 60"Lx24"W Flip N Go Training Table | 15 | $416.00 | $6,240.00 |
| 34 | 999-CDR-3916 | Library Circ Desk, Corner Unit | 1 | $1,030.00 | $1,030.00 |
| 35 | ATM-874 | 36"Wx24"Dx78"H Mobile Cabinet Full Height | 1 | $639.00 | $639.00 |
| 36 | MBR-440 | 4'x6' Mobile Porcelain Music and Cork Board Alum Frame | 1 | $719.00 | $719.00 |
| 37 | TRR-430N | Jumbo Rocker Natural | 1 | $179.00 | $179.00 |
| 38 | JOY-1430D | 7'8"x10'9" Lots of Dots Rectangle Carpet | 6 | $389.00 | $2,334.00 |

| | | | | | |
|---|---|---|---|---|---|
| 39 | SBT-83060H | 60"Lx30"W 36H Science-Bio Table | | $327.00 | $327.00 |
| 40 | INSTALLATION | INSTALLATION | | $24,415.00 | $24,415.00 |
| 41 | FREIGHT | FREIGHT | | $21,544.00 | $21,544.00 |
| | | | TOTAL COST | | $204,235.05 |
| | | | DISCOUNT | | ($30,635.26) |
| | | | FINAL COST | | $173,599.79 |

**TRANSACTION TERMS:**

RENT: $145,012.09 per Year (Plus applicable taxes)
PAYABLE: Yearly in Advance
ADVANCE RENT: $145,012.09 (May 15, 2014 thru May 14, 2015 paid in advance, Plus applicable taxes)
ADVANCE RENTAL/ DOWNPAYMENT N/A
EQUIPMENT PURCHASE OPTION at END of LEASE:
X $1.00 ____ Fair Market Value.

Equipment Cost: $601,604.69
Discount: $-90,240.71
e-Waste: $0.00
Taxes: $0.00
**TOTAL: $511,363.98**
Other:

LEASE TERM: 48 Months (first rental due May 15, 2014)
EQUIPMENT LOCATION: (IF DIFFERENT FROM LESSEE ADDRESS ABOVE) Azure Campus/Bridger Campus
LESSEE CONTACT/TELEPHONE: David Olive, 702-515-4021, davidolivequest@gmail.com

**THIS SCHEDULE INCORPORATES ALL OF THE TERMS AND CONDITIONS IN THE MASTER LEASE AGREEMENT BETWEEN LESSOR AND LESSEE IDENTIFIED ABOVE.**

**IMPORTANT:**

**READ BEFORE SIGNING. THE TERMS OF THIS SCHEDULE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. THIS SCHEDULE INCORPORATES THE TERMS OF THE ABOVE IDENTIFIED MASTER LEASE AGREEMENT. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN SCHEDULE OR THE MASTER LEASE AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS SCHEDULE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS SCHEDULE. THIS SCHEDULE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.**

**YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS SCHEDULE AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS SCHEDULE WAS SIGNED. THIS SCHEDULE IS NOT BINDING UPON US OR EFFECTIVE UNTIL AND UNLESS WE EXECUTE THIS SCHEDULE. THIS SCHEDULE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.**

*ACCEPTED BY:*
**LESSOR: TEQLEASE, INC.**

BY: _____
NAME & TITLE: Michael P. Lockwood, President
DATE: May 18, 2015

*PROPOSED BY:*
**LESSEE: QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL**

BY: _____
NAME & TITLE: David Olive, Governing Board President
DATE: May 18, 2015 FED. TAX ID#: 20-4359631

TEQlease EDUCATION FINANCE

# Schedule # 002
# Master Lease Agreement # 412

LESSOR: TEQLEASE, INC.
23801 Calabasas Road, Suite 101
Calabasas, CA 91302

LESSEE: QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL
7495 W. Azure Drive, Suite 250
Las Vegas, NV 89149

## EQUIPMENT SCHEDULE

Personal computers and other equipment. The final Rent amount will be amended, if necessary, as determined by the final Equipment cost, by Lessor using the rate factor stated below. The Equipment configuration will be determined by invoices presented from Hertz Furniture Systems, which will be described in the Certificate of Acceptance. The Equipment consists of the following:

| Item | Item No. | Description | Qty | Cost per Item | Total Cost |
|---|---|---|---|---|---|
| 1 | CBB-6135 | children's bean bag, 35in. | 3 | $65.00 | $195.00 |
| 2 | INS-716 | classroom chair, 15.5"h inspiration value | 128 | $42.95 | $5,497.60 |
| 3 | INS-718 | classroom chair, 18"h inspiration value | 186 | $43.95 | $8,174.70 |
| 4 | INS-658D | drafting stool | 1 | $133.95 | $133.95 |
| 5 | MYS-1285 | end table, mystic | 1 | $164.00 | $164.00 |
| 6 | 999-QSD-48-A | lib shelf 23.75x36x48 h adder, qsd-48-a | 3 | $512.00 | $1,536.00 |
| 7 | 999-QSD-48-S | lib shelf 23.75x75x37 x48h starter, qsd-48-s | 3 | $683.00 | $2,049.00 |
| 8 | 999-QSS-72-A | lib shelf adder 12x36x72h fusion, qss-72-a | 10 | $342.00 | $3,420.00 |
| 9 | 999-QP-7212-S | lib shelf, fusion 12x 37x72h periodical starter, qp-7212-s | 1 | $600.00 | $600.00 |
| 10 | 999-QSS-42-A | lib shelf, fusion 12x36x42h adder, qss-42-a | 3 | $229.00 | $687.00 |
| 11 | 999-OVB-72 | lib shelf,sf back panel 72h, ovb-72 | 16 | $93.00 | $1,488.00 |
| 12 | 999-OVB-42 | library shelf sf back panel 42h, ovb-42 | 3 | $50.00 | $150.00 |
| 13 | SYN-4896 | markerboard, 4'x8' syncoat magnetic | 4 | $229.00 | $916.00 |
| 14 | MYS-1285 | mystic end table | 1 | $164.00 | $164.00 |
| 15 | MZE-3000 | office chair, the maze | 10 | $139.00 | $1,390.00 |
| 16 | WAD-1800 | school desk. wheelchair accessible - laminate | 1 | $131.95 | $131.95 |
| 16 | WAD-1800 | school desk. wheelchair accessible - laminate | 9 | $131.95 | $1,187.55 |
| 17 | 999-5833 | storage unit locking door cubby cognac 5833 | 30 | $795.00 | $23,850.00 |
| 18 | 999-5833 | storage unit w/locking door cubby qte#39868-cogn | 2 | $795.00 | $1,590.00 |
| 19 | 999-5833 | storage unit w/locking door cubby qte#39868-cognc | 4 | $795.00 | $3,180.00 |
| 20 | 999-5866 | storage unit wardrobe - cognac 3mm1-5866 | 5 | $707.00 | $3,535.00 |
| 21 | 999-5866 | storage unit wardrobe - cognac, 3mm1-5866 | 7 | $707.00 | $4,949.00 |
| 22 | 999-PS-78PT | table library slope top reading 31x78, ps-78pt | 2 | $1,298.00 | $2,596.00 |
| 23 | GS-3048ADJH | table, 48x30 group-study rectangular | 6 | $114.00 | $684.00 |
| 24 | GS-4872ADJ | table 21-29"h group-study kidney shaped | 7 | $199.00 | $1,393.00 |
| 25 | GS-2460ADJ | table 60x24 group-study rectangular | 112 | $116.00 | $12,992.00 |
| 26 | ACB-96D | table/bench unit, all-in-one 8 feet with dyna-rock edge | 16 | $999.00 | $15,984.00 |
| 27 | 999-DS-243631/A-TC | tc mobile base library book bin display, ds-243631/a- | 2 | $865.00 | $1,730.00 |
| 28 | ACD-2468RP | teacher's station with removable pedestal, deluxe Nate | 1 | $1,139.00 | $1,139.00 |
| 28 | ACD-2468RP | teacher's station with removable pedestal, deluxe Nate | 11 | $1,139.00 | $12,529.00 |
| 29 | VBA-46 | vinyl bulletin board w/alum. frame, 6'x4' | 22 | $115.00 | $2,530.00 |
| 30 | PET-BOOK | wire book rack for petal desk | 30 | $28.00 | $840.00 |
| 31 | INS-714 | 14" chairs | 42 | $38.55 | $1,619.10 |
| 32 | INS-716 | 15.5" chairs | 32 | $42.95 | $1,374.40 |
| 33 | SLP-48C | Sandusky 24-Laptop Charging Cart | 2 | $1,219.00 | $2,438.00 |
| 34 | syn-4896 | Whiteboard | 6 | $229.00 | $1,374.00 |
| 35 | RWD-CART | Titan Cart | 7 | $145.00 | $1,015.00 |
| 36 | 999-QSS-72-A | lib shelf adder 12x36x72h fusion | 3 | $342.00 | $1,026.00 |
| 37 | 999-QSS-72-S | LIB SHELF STARTER 12X37X72H | 2 | $600.00 | $1,200.00 |
| 38 | ACB-96D | Cafeteria Table | 1 | $999.00 | $999.00 |
| 39 | SPI-375 | 60" Display Case | 4 | $2,249.00 | $8,996.00 |
| | | | | TOTAL COST | $137,447.25 |
| | | | | DISCOUNT | -$19,897.39 |
| | | | | FINAL COST | $117,549.86 |

## TRANSACTION TERMS:

RENT: $33,365.80 per Year (Plus applicable taxes)
PAYABLE: Yearly in Advance
ADVANCE RENT: $33,365.80 (May 15, 2014 thru May 14, 2015 paid in advance, Plus applicable taxes)
ADVANCE RENTAL/ DOWNPAYMENT: N/A

Equipment Cost: $137,447.25
Discount: $-19,897.39
e-Waste: $0.00
Taxes: $0.00
**TOTAL: $117,549.86**

EQUIPMENT PURCHASE OPTION at END of LEASE:
X $1.00 ___ Fair Market Value. ___ Other:

LEASE TERM: 48 Months (first rental due May 15, 2014)
EQUIPMENT LOCATION: (IF DIFFERENT FROM LESSEE ADDRESS ABOVE) C/O Glide Installations
2629 E. Craig Road, Suite H, Las Vegas Nevada 89030

LESSEE CONTACT/TELEPHONE: David Olive, 702-515-4021, davidolivequest@gmail.com

THIS SCHEDULE INCORPORATES ALL OF THE TERMS AND CONDITIONS IN THE MASTER LEASE AGREEMENT BETWEEN LESSOR AND LESSEE IDENTIFIED ABOVE.

IMPORTANT:

READ BEFORE SIGNING. THE TERMS OF THIS SCHEDULE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. THIS SCHEDULE INCORPORATES THE TERMS OF THE ABOVE IDENTIFIED MASTER LEASE AGREEMENT. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN SCHEDULE OR THE MASTER LEASE AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS SCHEDULE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS SCHEDULE. THIS SCHEDULE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.

YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS SCHEDULE AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS SCHEDULE WAS SIGNED. THIS SCHEDULE IS NOT BINDING UPON US OR EFFECTIVE UNTIL AND UNLESS WE EXECUTE THIS SCHEDULE. THIS SCHEDULE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.

*ACCEPTED BY:*

**LESSOR: TEQLEASE, INC.**

BY: _____

NAME & TITLE: Michael P. Lockwood, President

DATE: May 18, 2015

*PROPOSED BY:*

**LESSEE: QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL**

BY: _____

NAME & TITLE: David Olive, Governing Board President

DATE: May 18, 2015 FED. TAX ID#: 20-4359631

# Appendix L

407007
Quest Academy Preparatory Education Charter School

14326

Schedule of Assignment "Without Recourse"

REFERENCE: See attached Schedule "A" DATE: October 24, 2014

LESSEE: See attached Schedule "A"

LEASED EQUIPMENT (Attach separate schedule if necessary): See attached Schedule "A"

LEASE AGREEMENT DATED: See attached Schedule "A"

FOR VALUE RECEIVED, the undersigned ("Assignor'), does hereby sell, assign and transfer to UNIVEST CAPITAL, INC. its successors and assigns ("Assignee"), "Without Recourse" as per the terms described in the Private Label Broker Program Master Agreement between Seller and UCI, the annexed equipment lease agreement between Seller, as lessor, and the lessee identified above, together with all of Seller's right, title and interest in and to the equipment described therein, and all of Seller's rights and remedies thereunder, including the right to collect any and all rental payments due and to become due thereon, and all monies due or to become due in connection with the exercise by the lessee of any option, if any, to purchase the leased equipment, and further including the right in UCI's name to take all proceedings, legal, equitable or other, that Seller might take, save for this assignment.

THIS SCHEDULE IS SUBJECT TO THE TERMS AND CONDITIONS OF A PRIVATE LABEL BROKER PROGRAM MASTER AGREEMENT OR OTHER MASTER AGREEMENT, BY AND BETWEEN SELLER AND UCI, WHICH IS HEREBY INCORPORATED BY REFERENCE HEREIN.

SELLER: TEOlease, Inc.

By: _____

Title: MICHAEL P. LOCKWOOD PRESIDENT Date: 10/24/14

380

EQ lease EDUCATION FINANCE

ue and Original Copy

14326

# Master Lease Agreement # 407

| LESSOR: | TEQLEASE, INC.<br>23801 Calabasas Road, Suite 101<br>Calabasas, CA 91302 |
|---|---|

| LESSEE: | QUEST ACADEMY PREPARATORY<br>EDUCATION CHARTER SCHOOL<br>7495 W. Azure Drive, Suite 250<br>Las Vegas, NV 89149 |
|---|---|

**We have written this Agreement in plain language because we want you to understand its terms. Please read your copy of this Agreement carefully and feel free to ask us any questions you may have. The word "Agreement" means this master lease agreement. The word "Schedule" means any lease schedule under this Agreement which has been signed by you and accepted by us. The word "Lease" means this Agreement and a Schedule. The words "you" and "your" mean the Lessee named above. The words "we", "us", and "our" refer to the Lessor named above. Other capitalized terms not otherwise defined in this Agreement are described in the Schedule.**

TERMS AND CONDITIONS

1. **LEASE.** Subject to the terms of this Agreement, you agree to lease from us the Equipment described in each Schedule when we accept the Schedule at our office in California. **ONCE WE ACCEPT THE SCHEDULE, YOU MAY NOT CANCEL IT DURING THE FULL LEASE TERM.** Each Schedule will incorporate the terms of this Agreement and will constitute a separate Lease. You agree to be bound by all the terms of the Lease.

2. **DELIVERY AND ACCEPTANCE OF EQUIPMENT.** Acceptance of the Equipment occurs upon delivery. When you receive the Equipment, you agree to inspect it and to verify by telephone or in writing such information as we may require. Delivery and installation costs are your responsibility. If you signed a purchase contract for the Equipment, by signing the Schedule you assign your rights, but none of your obligations under it, to us.

3. **RENT.** You agree to pay us Rent (plus applicable taxes) in the amount and frequency stated on each Schedule. If your Rent payments are due in Advance, your first Rent payment is due on the first day of the month following the date you accept the Equipment under the Schedule. We will advise you as to (a) the due date of each Rent payment, and (b) the address to which you must send your payments. Rent is due whether or not you receive an invoice from us. You will pay us any required Advance Rent or Security Deposit when you sign each Schedule. Security Deposits or Advance Rents may be commingled and do not earn interest. Provided you are not in default, we may apply your Security Deposit to the last Rent payment or to your purchase option or we may refund the Security Deposit to you when the Lease Term expires and the Equipment is returned in accordance with Section 16. If we collect more than one payment as Advance Rent, we may apply such Advance Rent to the last Rent payment. You authorize us to change the Rent by not more than 15% due to changes in the Equipment configuration which may occur prior to our acceptance of the Schedule. Restrictive endorsements on checks you send to us will not reduce your obligations to us. **Unless a proper exemption certificate is provided, applicable sales and use taxes will be added to the Rent. Lessee may prepay its obligations hereunder at any time, without penalty, upon payment of a prepayment amount reasonably determined by Lessor.**

4. **UNCONDITIONAL OBLIGATION. YOU AGREE THAT YOU ARE UNCONDITIONALLY OBLIGATED TO PAY ALL RENT AND ANY OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR THE FULL LEASE TERM EVEN IF THE EQUIPMENT IS DAMAGED OR DESTROYED, IF IT IS DEFECTIVE OR IF YOU HAVE TEMPORARY OR PERMANENT LOSS OF ITS USE. YOU ARE NOT ENTITLED TO REDUCE OR SET-OFF AGAINST RENT OR OTHER AMOUNTS DUE UNDER EACH SCHEDULE FOR ANY REASON WHATSOEVER.**

5. **DISCLAIMER OF WARRANTIES. THE EQUIPMENT IS BEING LEASED TO YOU IN AS-IS CONDITION. NO INDIVIDUAL IS AUTHORIZED TO CHANGE ANY PROVISION OF THE LEASE. YOU AGREE THAT YOU HAVE SELECTED THE EQUIPMENT BASED UPON YOUR OWN JUDGMENT. YOU HAVE NOT RELIED ON ANY STATEMENTS WE OR OUR EMPLOYEES HAVE MADE. EXCEPT AS PROVIDED IN OUR WRITTEN PRODUCT WARRANTIES, WE HAVE NOT MADE AND DO NOT MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, DESIGN, CONDITION, DURABILITY, OPERATION, QUALITY OF MATERIALS OR WORKMANSHIP, OR COMPLIANCE WITH SPECIFICATIONS OR APPLICABLE LAW.** You are aware that we are the Equipment manufacturer and you will contact us for a description of your warranty rights. You agree to settle any dispute you may have regarding performance of the Equipment directly with us and not make any claim against any new owner described in Section 19. You agree to continue to pay such new owner all Rent and other payments even if you have a dispute with us regarding the Equipment.

6. **TITLE AND SECURITY INTEREST** If the Purchase Option amount stated on the Schedule is $1.00 (a "Dollar Purchase Option"), you shall have title to the Equipment immediately upon delivery and shall be deemed to be the owner of the Equipment as long as you are not in default under the Lease. In the event of a default, title to the equipment shall revert to us free and clear of any rights or interests you may have in the Equipment. If the Purchase Option amount stated on the Schedule is other than $1.00 (a "Stated Purchase Option"), the Equipment is and shall remain our sole property during the Lease Term. Unless you are in default under the Lease, you shall have the right to peacefully possess and use the Equipment during the Lease Term. To secure all of your obligations to us under the Lease you hereby grant us a security interest in (a) the Equipment to the extent of your interests in the Equipment, (b) anything attached or added to the Equipment at any time, (c) any money or property from the sale of the Equipment, and (d) any money from an insurance claim if the Equipment is lost or damaged. You agree that the security interest will not be affected if this Agreement or any Schedule is changed in any way. You hereby appoint us (or our agent) as your true lawful attorney-in-fact to affix your signature to UCC financing statements prepared and filed on your behalf by us (or our agent) with the same force and effect as if you had signed such financing statements. If we request, you agree to sign financing statements in order for us to publicly record our security interest. This Agreement or a copy of this Agreement shall be sufficient as a financing statement and may be filed as such.

7. **USE, MAINTENANCE AND REPAIR.** You will not move the Equipment from the Equipment Location without our advance written consent. You will give us reasonable access to the Equipment Location so that we can check the Equipment's existence, condition and proper maintenance. You will use the Equipment in the manner for which it was intended, as required by all applicable manuals and instructions and keep it eligible for any manufacturer's certification and/or standard, full service maintenance contract. At your own cost and expense, you will keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted. All replacement parts and repairs will become our property. You will not make any permanent alterations to the Equipment.

8. **TAXES.** You agree that you will pay us, when invoiced, all taxes (including any sales, use and personal property taxes), fines, interest and penalties relating to each Lease and the Equipment (excluding taxes based on our net income). If the Lease includes a Dollar Purchase Option, you agree to file any required personal property tax returns and, if we ask, you will provide us with proof of payment. We do not have to contest any tax assessments. For Leases with a Stated Purchase Option, (a) you will, at our discretion, either (1) reimburse us annually for all personal property taxes which we may be required to pay as the owner of the Equipment, or (2) remit to us each month our estimate of the monthly equivalent of the annual personal property taxes to be assessed, (b) you agree to pay us for the loss of any income tax benefits caused by your actions, and (c) should an increase in the federal corporate income tax rate or a change in the "accelerated cost recovery deductions" allowed by the Internal Revenue Code of 1986, as amended, adversely affect our after-tax earnings or cash flows, you agree that we may increase the Rent and other amounts due under each Lease to offset any such adverse effect.

**IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT (INCLUDING THOSE ON THE REVERSE SIDE) AND ANY SCHEDULES SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF A LEASE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF EACH LEASE. EACH LEASE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.**

**YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS AGREEMENT, ANY SCHEDULES AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS AGREEMENT WAS SIGNED. THIS AGREEMENT IS NOT BINDING UPON US OR EFFECTIVE UNLESS AND UNTIL WE EXECUTE THIS AGREEMENT. THIS AGREEMENT AND ALL SCHEDULES WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.**

| *ACCEPTED BY:* | | *PROPOSED BY:* | |
|---|---|---|---|
| LESSOR: | TEQLEASE, INC. | LESSEE: | QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL |
| BY: | MICHAEL P. LOCKWOOD | BY: | |
| TITLE: | PRESIDENT | NAME & TITLE: | Kelli Miller Director |
| DATE: | July 29, 2014 | DATE: | July 29, 2014 FED. TAX ID#: 20-4359631 |

ADDITIONAL TERMS ON REVERSE

ORIGINAL

**9. INDEMNITY.** We are not responsible for any injuri[illegible]mages, penalties, claims or losses, including legal exp[illegible] incurred by you or any other person caused by the transportation, installation selection, purchase, lease, owner[illegible]possession, modification, maintenance, condition, operati[illegible]e, return or disposition of the Equipment. You agree to reimburse us for and defend us against any claims for such losses, damages, penalties, claims, injuries, or expenses. This indemnity continues even after the Lease has expired for acts or omissions which occurred during the Lease Term.

**10. IDENTIFICATION.** You authorize us to insert or correct missing information on the Lease, including your official name, serial numbers and any other information describing the Equipment. We will send you copies of such changes. You will attach to the Equipment any name plates or stickers we provide you.

**11. LOSS OR DAMAGE.** You are responsible for any loss of the Equipment from any cause at all, whether or not insured, from the time the Equipment is shipped to you until it is returned to us. If any item of Equipment is lost, stolen or damaged, you will promptly notify us of such event. Then, at our option, you will either (a) repair the Equipment so that it is in good condition and working order, eligible for any manufacturer's certification, or (b) pay us an amount equal to the Net Book Value (as defined in Section 14) of the lost, stolen or damaged Equipment. If you have satisfied your obligations under this Section 11, we will forward to you any insurance proceeds which we receive for lost, damaged, or destroyed Equipment. If you are in default, we will apply any insurance proceeds we receive to reduce your obligations under Section 14 of this Agreement.

**12. INSURANCE.** You agree to (a) keep the Equipment fully insured against loss, naming us as loss payee, and (b) obtain a general public liability insurance policy covering both personal injury and property damage in amounts not less than we may tell you, naming us as additional insured, until you have met all of your obligations under the Lease. We are under no duty to tell you if your insurance coverage is adequate. The policies shall state that we are to be notified of any proposed cancellation at least 15 days prior to the date set for cancellation. Upon our request, you agree to provide us with certificates or other evidence of insurance acceptable to us. If you do not provide us with evidence of proper insurance within 10 days of our request or we receive notice of policy cancellation, we may (but we are not obligated to) obtain insurance on our interest in the Equipment at your expense. You will pay all insurance premiums and related charges.

**13. DEFAULT.** You will be in default under this Agreement if any of the following happens: (a) we do not receive any Rent or other payment due hereunder within 10 days after its due date, or (b) you or any of your guarantors become insolvent, are liquidated or dissolved, merge, transfer substantially all stock or assets, stop doing business, or assign rights or property for the benefit of creditors, or (c) a petition is filed by or against you or any of your guarantors under any bankruptcy or insolvency law, or (d) (for individuals) you or any of your guarantors die, or have a guardian appointed, or (e) any representation you have made in this Agreement shall prove to have been false or misleading in any material respect, or (f) you or any of your guarantors break any promise made in this Agreement or any guaranty and do not correct the default within 10 days after we send you written notice of the default, or (g) you default on any other agreement between you and us (or our affiliates).

**14. REMEDIES.** Upon the occurrence of a default, we may, in our sole discretion, do any or all of the following: (a) provide written notice to you of default; (b) as liquidated damages for loss of a bargain and not as a penalty, declare due and payable, the present value of (i) any and all amounts which may be then due and payable by you to us under the Lease, plus (ii) all Rent payments remaining through the end of the Lease Term, plus (iii) the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term, all discounted at the higher of 6% or the lowest rate allowed by law (collectively, the "Net Book Value"). We have the right to require you to make the Equipment available to us for repossession during reasonable business hours or we may repossess the Equipment, so long as we do not breach the peace in doing so, or we may use legal process in compliance with applicable law pursuant to court order to have the Equipment repossessed. You will not make any claims against us or the Equipment for trespass, damage or any other reason. If we take possession of the Equipment we may (a) sell or lease the Equipment at public or private sale or lease, and/or (b) exercise such other rights as may be allowed by applicable law. Although you agree that we have no obligation to sell the Equipment, if we do sell the Equipment, we will reduce the Net Book Value by the amounts we receive. You will immediately pay us the remaining Net Book Value. If the Lease includes a Dollar Purchase Option and we receive more than the Net Book Value plus our costs of sale, we will give you the excess. You agree (a) that we only need to give you 10 days advance notice of any sale and no notice of advertising, (b) to pay all of the costs we incur to enforce our rights against you, including attorney's fees, and (c) that we will retain all of our rights against you even if we do not choose to enforce them at the time of your default.

**15. YOUR OPTIONS AT END OF LEASE.** Provided you are not in default, upon expiration of a Lease with a Dollar Purchase Option, you shall purchase the Equipment at the end of the Lease Term for such amount and we will release any security interest we may have in the Equipment. Provided you are not in default, upon expiration of a Lease with a Stated Purchase Option, you shall have the option to (a) return the Equipment in accordance with Section 16, or (b) on 60 days advance written notice to us, purchase all but not less than all of the Equipment for the Purchase Option amount, if stated, or if no fixed Purchase Option amount is given, our reasonable estimate of the fair market value of like equipment as of the end of the Lease Term. If the Purchase Option is stated as a percentage, the Purchase Option amount shall be the product of such percentage multiplied by the Equipment Cost (as such term is defined in Section 21). If you elect to purchase the Equipment, upon payment of the agreed upon price including all sales taxes and other applicable taxes, we will transfer the Equipment to you **AS IS-WHERE IS, WITHOUT ANY REPRESENTATION OR WARRANTY.** If you fail to exercise the purchase option (a) you will continue to pay Rent until the Equipment is received and accepted by us pursuant to Section 16, and (b) all of the terms of the Lease shall continue to apply.

**16. RETURN OF EQUIPMENT.** If (a) a default occurs, (b) you do not purchase the Equipment at the end of the Lease Term, or (c) you do not extend the Lease Term, you will immediately return the Equipment to any location(s) and aboard any carrier(s) we may designate in the continental United States. The Equipment must be properly packed for shipment in accordance with the manufacturer's recommendations or specifications, freight prepaid and insured, maintained in accordance with Section 7, and in "Average Saleable Condition." "Average Saleable Condition" means that all of the Equipment is immediately available for use by a third party buyer, user or lessee, other than yourself, without the need for any repair or refurbishment. All Equipment must be free of markings. You will pay us for any missing or defective parts or accessories. You will continue to pay Rent until the Equipment is received and accepted by us.

**17. YOUR REPRESENTATIONS.** You state for our benefit that as of the date of each Lease (a) you have the lawful power and authority to enter into the Lease, (b) the individuals signing this Agreement and the Schedule have been duly authorized to do so on your behalf, (c) by entering into the Lease you will not violate any law or other agreement to which you are a party, (d) you are not aware of anything that will have a material negative effect on your ability to satisfy your obligations under the Lease, and (e) all financial information you have provided us is true and accurate and provides a good representation of your financial condition.

**18. YOUR PROMISES.** In addition to the other provisions of this Agreement, you agree that during the term of each Lease (a) you will promptly notify us in writing if you move your principal place of business, if you change the name of your business, or if there is a change in your ownership, (b) you will provide to us such financial information as we may reasonably request from time to time, and (c) you will take any action we reasonably request to protect our rights in the Equipment and to meet your obligations under the Lease.

**19. ASSIGNMENT. YOU WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE, SUB-LEASE OR PART WITH POSSESSION OF THE EQUIPMENT, OR FILE OR PERMIT A LIEN TO BE FILED AGAINST THE EQUIPMENT.** You will not attach any of the Equipment to any real estate. Upon our reasonable request and at your cost, you will get each person with an interest in the real estate where the Equipment is located to waive any rights they may have in the Equipment. We may, without notifying you, sell, assign, or transfer any Lease and our interests in the Equipment. You agree that if we do so, the new owner (and any subsequent owners) will have the same rights and benefits that we now have, but will not have to perform any of our obligations. You agree that the rights of the new owner will not be subject to any claims, defenses, or set-offs that you may have against us. However, any such assignment, sale, or transfer of the Lease or the Equipment will not relieve us of any obligations we may have to you under the Lease. If you are given notice of a new owner of a Lease, you agree to respond to any requests about the Lease and, if directed by us, to pay the new owner all Rent and other amounts due under the Lease.

**20. COLLECTION EXPENSES, OVERDUE PAYMENT, TERMINATION.** You agree that we can, but do not have to, take on your behalf any action which you fail to take as required by the Lease, and our expenses will be in addition to of the Rent which you owe us. We may charge you a late charge to cover our collection costs equal to the higher of 10% of any late payment or $22, but not more than the highest legal rate. To the extent allowed by law, any late payment or non-payment of any past due amount will accrue interest at the lower of 18% per annum or the highest legal rate from the due date until paid. If you so request and we permit the early termination of the Lease, you agree to pay a fee for such privilege.

**21. AGREED LEASE RATE FACTOR.** You understand that the Equipment may be purchased for cash (the "Equipment Cost") or it may be leased. By signing the Lease, you acknowledge that you have chosen to lease the Equipment from us for the Lease Term and that you have agreed to pay Rent. If the Lease provides for a Dollar Purchase Option, each payment of Rent includes a principal amount based on the Equipment Cost and a lease charge rate. The Equipment Cost is the Rent divided by the Lease Rate Factor. The lease charge portion of the Rent can be determined by applying to the Equipment Cost the rate which will amortize the Equipment Cost down to the Purchase Option amount (which may be a fixed amount or a percentage of the Equipment Cost) by payment of the Rent. The lease charge rate can also be calculated using the Equipment Cost as the present value, the Purchase Option amount as the future value, the Rent as the payment and the Lease Term as the term. The lease charge rate may be higher than the actual annual interest rate because of the amortization of certain costs, expenses and fees incurred by us. **We both intend to comply with all applicable laws. If it is determined that your payments under the Lease result in an interest payment higher than allowed by applicable law, then any excess interest collected will be applied to the repayment of principal and interest will be charged at the highest rate allowed by law. In no event will we charge or receive or will you pay any amounts in excess of the legal amount.**

**22. MISCELLANEOUS.** The Lease contains our entire agreement and supersedes any conflicting provision of any equipment purchase order or any other agreement. **TIME IS OF THE ESSENCE IN THE LEASE.** If a court finds any provision of this Agreement or any Schedule to be unenforceable, the remaining terms of the Lease shall remain in effect. **EACH LEASE IS A "FINANCE LEASE" AS DEFINED IN ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE.** You authorize us (or our agent) to (a) obtain credit reports, (b) make such other credit inquiries as we may deem necessary, and (c) furnish payment history information to credit reporting agencies. To the extent permitted by law, we may charge you a fee of $43.25 to cover our documentation and investigation costs.

**23. NOTICES.** All of your written notices to us must be sent by certified mail or recognized overnight delivery service, postage prepaid, to us at our address stated in this Agreement, or by facsimile transmission to our facsimile telephone number, with oral confirmation of receipt. All of our notices to you may be sent first class mail, postage prepaid, to your address stated in this Agreement. At any time after this Agreement is signed, you or we may change an address or facsimile telephone number by giving notice to the other of the change.

**24. WAIVERS. WE AND YOU EACH AGREE TO WAIVE AND TO TAKE ALL REQUIRED STEPS TO WAIVE ALL RIGHTS TO A JURY TRIAL.** To the extent you are permitted by applicable law, you waive all rights and remedies conferred upon a lessee by Article 2A (Sections 508-522) of the Uniform Commercial Code including but not limited to your rights to: (a) cancel or repudiate this Agreement; (b) reject or revoke acceptance of the Equipment; (c) recover damages from us for any breach of warranty or for any other reason; and (d) grant a security interest in any Equipment in your possession. To the extent you are permitted by applicable law, you waive any rights you now or later may have under any statute or otherwise which require us to sell or otherwise use any Equipment to reduce our damages, which require us to provide you with notice of default, intent to accelerate amounts becoming due or acceleration of amounts becoming due, or which may otherwise limit or modify any of our rights or remedies. **ANY ACTION YOU TAKE AGAINST US FOR ANY DEFAULT, INCLUDING BREACH OF WARRANTY OR INDEMNITY, MUST BE STARTED WITHIN ONE (1) YEAR AFTER THE EVENT WHICH CAUSED IT.** We will not be liable for specific performance of any Lease or for any losses, damages, delay or failure to deliver Equipment.

ORIGINAL

Lessee's Initials

14326

TEQlease EDUCATION FINANCE

Schedule # 007
Master Lease Agreement # 407

**LESSOR:** TEQLEASE, INC.
23801 Calabasas Road, Suite 101
Calabasas, CA 91302

**LESSEE:** QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL
7495 W. Azure Drive, Suite 250
Las Vegas, NV 89149

**EQUIPMENT SCHEDULE**

Personal computers and other equipment. The final Rent amount will be amended, if necessary, as determined by the final Equipment cost, by Lessor using the rate factor stated below. The Equipment configuration will be determined by invoices presented from School Tech Supply, which will be described in the Certificate of Acceptance. The Equipment consists of the following:

| Part # | Description | Qty | Price | Extended Price |
|---|---|---|---|---|
| MimioProjector - 1 pen | MimioProjector interactive with one-pen # 1871620 | 40 | $1,349.00 | $53,960.00 |
| Misc Equip Sold | Mimio Projector Ultra Short Throw Wall Mount | 40 | $125.00 | $5,000.00 |
| Misc Equip Sold | Black Box 10 Unit Laptop and Tablet Charging Cabinet | 63 | $499.00 | $31,437.00 |
| LTL Shipping | Shipping Charges | 1 | $2,000.00 | $2,000.00 |
| | | | TOTAL | $92,397.00 |

**TRANSACTION TERMS:**

RENT: $3,039.49 per Month (Plus applicable taxes)
PAYABLE: Monthly in Advance
ADVANCE RENT: $3,039.49 (July 1, 2017 paid in advance, Plus applicable taxes)
ADVANCE RENTAL/ DOWNPAYMENT: N/A

Equipment Cost: $92,397.00
Discount: $0.00
e-Waste: $0.00
Taxes: $0.00
**TOTAL:** $92,397.00

EQUIPMENT PURCHASE OPTION at END of LEASE:
X $1.00 ___ Fair Market Value. ___ Other:

LEASE TERM: 36 Months (first rental due August 1, 2014)
EQUIPMENT LOCATION: (IF DIFFERENT FROM LESSEE ADDRESS ABOVE) Azure Campus/Bridger Campus
LESSEE CONTACT/TELEPHONE: Kelli Miller, 702-515-4021 , Kelli.miller@questacademylv.com

**THIS SCHEDULE INCORPORATES ALL OF THE TERMS AND CONDITIONS IN THE MASTER LEASE AGREEMENT BETWEEN LESSOR AND LESSEE IDENTIFIED ABOVE.**

**IMPORTANT:**

**READ BEFORE SIGNING. THE TERMS OF THIS SCHEDULE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. THIS SCHEDULE INCORPORATES THE TERMS OF THE ABOVE IDENTIFIED MASTER LEASE AGREEMENT. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN SCHEDULE OR THE MASTER LEASE AGREEMENT MAY NOT BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS SCHEDULE ONLY BY ANOTHER WRITTEN AGREEMENT BETWEEN YOU AND US. YOU AGREE TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS SCHEDULE. THIS SCHEDULE IS NOT CANCELABLE. YOU AGREE THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.**

**YOU CERTIFY THAT ALL THE INFORMATION GIVEN IN THIS SCHEDULE AND YOUR APPLICATION WAS CORRECT AND COMPLETE WHEN THIS SCHEDULE WAS SIGNED. THIS SCHEDULE IS NOT BINDING UPON US OR EFFECTIVE UNTIL AND UNLESS WE EXECUTE THIS SCHEDULE. THIS SCHEDULE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AGREE TO THE JURISDICTION AND VENUE OF FEDERAL AND STATE COURTS IN LOS ANGELES COUNTY, CALIFORNIA.**

*ACCEPTED BY:*
**LESSOR: TEQLEASE, INC.**
BY:
NAME & TITLE: MICHAEL P. LOCKWOOD PRESIDENT
DATE: July 29, 2014

*PROPOSED BY:*
**LESSEE: QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL**
BY:
NAME & TITLE: Kelli Miller Director
DATE: July 29, 2014 FED. TAX ID#: 20-4359631

ORIGINAL

TEQlease EDUCATION FINANCE

# Certificate of Acceptance for Schedule # 007 Master Lease Agreement # 407

| LESSOR: | LESSEE: |
|---|---|
| TEQLEASE, INC.<br>23801 Calabasas Road, Suite 101<br>Calabasas, CA 91302 | QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL<br>7495 W. Azure Drive, Suite 250<br>Las Vegas, NV 89130 |

**LEASED EQUIPMENT**

| Qty | Part # | Equipment Model & Description | Price | Extended Price |
|---|---|---|---|---|
| 40 | Mimio Projector - 1 pen | Mimio Projector interactive with one-pen # 1871620 | $1,349.00 | $53,960.00 |
| 40 | Mimio Wall Mount | Mimio Projector Ultra Short Throw Wall Mount | $125.00 | $5,000.00 |
| 10 | UD10KP | Black Box 10 Unit Universal Locker for Chromebook/Laptop w/ PDU - to have shelving slots for iPads/Laptops | $499.00 | $4,990.00 |
| 1 | Fed Express | Federal Express Ground - Master Tracking # 578939891425 for Mimio products; Black Box Tracking - Fed Ex Freight Pro # 3385445431 for 10 units; Fed Ex Freight Pro # 3353055506 for 10 units; Fed Ex Freight Pro # 3364178381 for 8 units | $2,000.00 | $2,000.00 |
| 1 | Equip Non Delivery | Equipment not delivered (20% restocking fee) <<Revised - Customer to refuse 18 of the Black Box units; one shipment of 10 on 8/27/14 and one shipment of 8 on 9/2/14>> | $1,795.00 | $1,795.00 |

THE UNDERSIGNED, THROUGH ITS AUTHORIZED REPRESENTATIVE, CERTIFIES TO TEQLEASE, INC., THAT:

1. AS OF 9/29/14, THE EQUIPMENT HAS BEEN DELIVERED TO THE LOCATION WHERE IT WILL BE USED, WHICH IS THE EQUIPMENT LOCATION GIVEN IN THE LEASE.
2. THE EQUIPMENT HAS BEEN INSPECTED AND IT IS (a) COMPLETE, (b) PROPERLY INSTALLED, (c) FUNCTIONING, AND (d) IN GOOD ORDER.
3. THE UNDERSIGNED ACCEPTS THE EQUIPMENT FOR ALL PURPOSES UNDER THE LEASE AS OF THE DATE OF THIS CERTIFICATE. THE RENT COMMENCEMENT DATE SHALL BE AUGUST 1, 2014.
4. THE UNDERSIGNED IS NOT IN DEFAULT UNDER THE LEASE, AND ALL ITS STATEMENTS AND PROMISES IN THE LEASE ARE TRUE.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SCHEDULE NO. 007, THIS CERTIFICATE OF DELIVERY AND ACCEPTANCE AMENDS AND SUPERSEDES THE SCHEDULE AND IS HEREBY INCORPORATED BY REFERENCE THEREIN. THIS CERTIFICATE OF DELIVERY AND ACCEPTANCE AMENDS EQUIPMENT SCHEDULE NO. 007 TO THE EXTENT OF THE INFORMATION HEREIN CONTAINED.

**Equipment Location:** Quest Academy Preparatory Education Charter School - Azure Campus
7485 W. Azure Drive
Las Vegas, Nevada 89130

**Total Equipment Cost:** $67,745.00

**Monthly Rental:** $2,228.54

**Installation Dates:** Various

**Commencement Date:** August 1, 2014

LESSEE: QUEST ACADEMY PREPARATORY EDUCATION CHARTER SCHOOL

BY: _____

TITLE: Director

DATE: 10/8/14

## CERTIFICATE OF INCUMBENCY

The undersigned, Secretary/Assistant Secretary of Quest Academy Preparatory Education, a Nevada corporation (hereinafter "Corporation"), hereby certifies as follows:

1. That he/she is the duly elected, qualified and acting Secretary/Assistant Secretary of the Corporation and is charged with maintaining the records, minutes and seal of the Corporation.

2. That pursuant to the Corporation's By-Laws, as amended, the following named person(s) was/were designated and appointed to the office(s) indicated below, and that said person(s) does/do continue to hold such office(s) at this time, and the signature(s) set forth opposite the name(s) are genuine signatures.

| NAME | SIGNATURE | TITLE |
|---|---|---|
| David Oline | | Governing Board President |
| Kelli Miller | | Director |
| | | |

**[insert name, title and signature of person(s) signing lease documents]**

3. That pursuant to the Corporation's By-Laws, as amended, and certain resolutions adopted by the Corporation's Board of Directors, the person(s) designated to serve in the above-entitled capacity was/were given sufficient authority to act on behalf of and to bind the Corporation with respect to transactions involving the leasing of equipment, including without limitation the sale and lease back of such equipment, and that the execution by said person(s) of documents related to such transactions, including without limitation Master Lease Agreements and Equipment Schedules thereto, constitute a legally binding and enforceable obligation of the Corporation.

4. That pursuant to the Corporation's By-Laws, as amended, the undersigned has the power and authority to execute this certificate on behalf of the Corporation and that he/she has so executed this certificate and set the seal of the Corporation this _____ day of _____, 20_____.

Signature: _____

(SEAL)

Name: Jeff Egger

Title: Governing Board Secretary

**[An authorized person different from the signer of the lease documents]**

# CERTIFICATE OF INCUMBENCY

The undersigned, Assistant Secretary of TEQlease, Inc., a California corporation (hereinafter "Corporation"), hereby certifies as follows:

1. That he is the duly elected, qualified and acting Assistant Secretary of the Corporation and is charged with maintaining the records, minutes and seal of the Corporation.

2. That pursuant to the Corporation's By-Laws, as amended, the following named person was designated and appointed to the office indicated below, and that said person does continue to hold such office at this time, and the signature set forth opposite the name is a genuine signature.

| NAME | SIGNATURE | TITLE |
|---|---|---|
| MICHAEL P. LOCKWOOD | | PRESIDENT |

3. That pursuant to the Corporation's By-Laws, as amended, and certain resolutions adopted by the Corporation's Board of Directors, the person designated to serve in the above-entitled capacity was given sufficient authority to act on behalf of and to bind the Corporation with respect to transactions involving the leasing of equipment, including without limitation the sale and lease back of such equipment, and that the execution by said person of documents related to such transactions, including without limitation Master Lease Agreements and Equipment Schedules thereto, constitute a legally binding and enforceable obligation of the Corporation.

4. That pursuant to the Corporation's By-Laws, as amended, the undersigned has the power and authority to execute this certificate on behalf of the Corporation and that he has so executed this certificate this 4th day of March, 2011.

Signature: Greg Hubach

Name: GREG HUBACH

Title: ASSISTANT SECRETARY

[redacted]

# UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
CORPORATION SERVICE COMPANY 18006585294

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

CORPORATION SERVICE COMPANY
CORPORATION SERVICE COMPANY
801 ADLAI STEVENSON DRIVE
SPRINGFIELD, IL 62703

| Filed in the office of | Document Number |
|---|---|
| Ross Miller<br>Secretary of State<br>State of Nevada | 2014027260-2<br>Filing Date and Time<br>10/23/2014 11:47 AM |

(This document was filed electronically.)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME: Quest Academy Preparatory Education Charter School

OR

1b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

1c. MAILING ADDRESS: 7495 W. Azure Drive, Suite 250 | CITY: Las Vegas | STATE: NV | POSTAL CODE: 89130 | COUNTRY: USA

1d. SEE INSTRUCTIONS | ADD'L INFO RE ORGANIZATION DEBTOR | 1e. TYPE OF ORGANIZATION | 1f. JURISDICTION OF ORGANIZATION | 1g. ORGANIZATIONAL ID #, if any

☐ NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

2c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

2d. SEE INSTRUCTIONS | ADD'L INFO RE ORGANIZATION DEBTOR | 2e. TYPE OF ORGANIZATION | 2f. JURISDICTION OF ORGANIZATION | 2g. ORGANIZATIONAL ID #, if any

☐ NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME: TEQLEASE, INC.

OR

3b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

3c. MAILING ADDRESS: 23801 CALABASAS RD., SUITE 101 | CITY: CALABASAS | STATE: CA | POSTAL CODE: 91302 | COUNTRY: USA

4. This FINANCING STATEMENT covers the following collateral:

The equipment leased pursuant to Equipment Schedule 407-007 to that certain Master Lease Agreement dated as of July 29, 2014, between TEQlease, Inc., (as assignee of Apple Inc.) as Lessor, and Quest Academy Preparatory Education Charter School, as lessee, together with all accessions, substitutions and replacements therefor, and proceeds (including insurance proceeds) thereof, including but not limited to: (40) Mimio Projector interactive with one-pen # 1871620 (Mimio Projector - 1 pen); (40) Mimio Projector Ultra Short Throw Wall Mount (Mimio Wall Mount); (10 Black Box 10 Unit (UD10KP); (1) Federal Express Ground (Fed Express); (1) Equipment not delivered (20% restocking fee) (Equip Non Delivery). And as more fully described in Equipment Schedule 407-007.

5. ALTERNATIVE DESIGNATION [if applicable]: ☐ LESSEE/LESSOR ☐ CONSIGNEE/CONSIGNOR ☐ BAILEE/BAILOR ☐ SELLER/BUYER ☐ AG. LIEN ☐ NON-UCC FILING

6. ☐ This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable]

7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional] [ADDITIONAL FEE] ☐ All Debtors ☐ Debtor 1 ☐ Debtor 2

8. OPTIONAL FILER REFERENCE DATA

:407007 Quest Academy Preparatory Education

FILING OFFICE COPY — UCC FINANCING STATEMENT (FORM UCC1) (REV. 05/22/02)

# Appendix M

# DISTRICT COURT

## CLARK COUNTY, NEVADA

T. JAMES TRUMAN & ASSOCIATES, a Nevada Professional corporation.

Plaintiff,

vs.

QUEST PREPARATORY ACADEMY, a state funded charter school, also known as "QUEST ACADEMY FOR PREPARATORY EDUCATION;" DOES I through X, inclusive; and ROE CORPORATIONS I through X, inclusive;

Defendants.

/

Case No.: A-15-727469-C
Dept. No.: XIII

## SUMMONS

**NOTICE! YOU HAVE BEEN SUED. THE COURT MAY DECIDE AGAINST YOU WITHOUT YOUR BEING HEARD UNLESS YOU RESPOND WITHIN 20 DAYS. READ THE INFORMATION BELOW.**

**TO THE DEFENDANT(S):** A civil Complaint has been filed by the Plaintiff against you for the relief set forth in the Complaint.

1. If you intend to defend this lawsuit, within 20 days after this Summons is served on you exclusive of the day of service, you must do the following:
   a. File with the Clerk of the Court, whose address is shown below, a formal written response to the Complaint in accordance with the rules of the Court, with the appropriate filing fee.
   b. Serve a copy of your response upon the attorney whose name and address is shown below.

2. Unless you respond, your default will be entered upon application of the plaintiff and this Court may enter a judgment against you for the relief demanded in the Complaint, which could result in the taking of money or property or other relief requested in the Complaint.

3. If you intend to seek the advice of an attorney in this matter, you should do so promptly so that your response may be filed on time.

4. The State of Nevada, its political subdivisions, agencies, officers, employees, board members, commission members and legislators each have 45 days after service of this Summons within which to file an Answer or other responsive pleading to the Complaint.

Issued at direction of:

T. JAMES TRUMAN, ESQ.
Nevada Bar No. 003620
3654 North Rancho Drive, Suite 101
Las Vegas, NV 89130
Attorney for Plaintiff

**STEVEN D. GRIERSON, CLERK OF COURT**

NOV 12 2015

DISTRICT COURT SEAL

JUDIT ANGYALNE KISS

By: _____
DEPUTY
Regional Justice Center
200 Lewis Avenue
Las Vegas, NV 89155

Electronically Filed
11/10/2015 10:52:54 AM

CLERK OF THE COURT

T. James Truman, Esq.
Nevada Bar No. 003620
T. JAMES TRUMAN & ASSOCIATES
3654 North Rancho Drive, Suite 101
Las Vegas, Nevada 89130
Telephone: (702) 256-0156
Fax: (702) 396-3035
E-mail: district@trumanlegal.com
Attorneys for Defendant

**DISTRICT COURT**

**CLARK COUNTY, NEVADA**

| | |
|---|---|
| T. JAMES TRUMAN & ASSOCIATES, a Nevada Professional corporation,<br><br>Plaintiffs,<br><br>vs.<br><br>QUEST PREPARATORY ACADEMY, a state funded charter school, also known as "QUEST ACADEMY FOR PREPARATORY EDUCATION;" DOES I through X, inclusive; and ROE CORPORATIONS I through X, inclusive;<br><br>Defendants.<br>_____/ | Case No. A-15-727469-C<br>Dept. No. XIII<br><br>**COMPLAINT** |

COMES NOW the Plaintiff, T. JAMES TRUMAN & ASSOCIATES, a Nevada Professional corporation, authorized to do business in the State of Nevada (hereinafter referred to as "Plaintiff"), by and through its undersigned attorneys, and for its complaint against the Defendant, QUEST PREPARATORY ACADEMY, a state funded charter school, also known as 'QUEST ACADEMY FOR PREPARATORY EDUCATION," (hereinafter referred to as "QUEST") and DOES I through X, inclusive, and ROE CORPORATIONS I through X, inclusive, complain, allege and state as follows:

**FIRST CLAIM FOR RELIEF**
(Breach of Contract )

1. Plaintiff is a Professional corporation authorized to conduct business in the State of Nevada.

2. QUEST is a Nevada Non-profit entity, operating a charter school in the state of Nevada.

3. On or about November 1, 2013, QUEST contacted Plaintiff through QUEST's President and Vice President, and requested that Plaintiff represent Quest in various legal matters, and to act as corporate counsel for QUEST. Thereafter, QUEST engaged the services of Plaintiff to perform legal services on a regular monthly basis, in Clark County, Nevada for the benefit of QUEST and the daily operating of its charter school.

4. QUEST agreed to pay Plaintiff the sum of $250.00 per hour for services performed by attorney T. James Truman, Esq., and $90.00 per hour for services performed by paralegals. QUEST also agreed to pay Plaintiff all costs incurred by Plaintiff on behalf of QUEST.

5. Pursuant to the aforementioned agreement, Plaintiff did provide the requested legal services to Defendant QUEST from November, 2013 through October, 2015.

6. During the period November, 2013 through October, 2015, Plaintiff sent monthly invoices to QUEST beginning December, 2013, and has continued to send Defendant invoices on the first day of each month thereafter up through and including October, 2015. Upon receipt of the monthly invoices received by QUEST for the month of December, 2013 through and including the month of August, 2015, Defendant QUEST has paid all sums set forth on the invoices submitted to QUEST. However, beginning September, 2015, Defendant QUEST failed and refused to pay Plaintiff for the legal services rendered to Defendant QUEST, and has also failed and refused to pay Plaintiff for the costs expended on behalf of Defendant QUEST.

7. The complete itemization of attorney fees and costs incurred by Plaintiff for the benefit of QUEST and which have not been paid by QUEST are now $35,845.47. Plaintiff will provide copies of Plaintiff's invoices to the court in camera.

8. Pursuant to the parties' agreement, Plaintiff is entitled to judgment in its favor and against Defendant QUEST in the amount of $35,845.47, together with interest thereon at the highest legal rate agreed by Defendant, plus costs which Plaintiff has incurred and which it has been required to incur in attempting to recover monies due to it under its agreement with Defendant, and in filing its Complaint in these proceedings.

## SECOND CLAIM FOR RELIEF
(Unjust Enrichment)

9. Plaintiff hereby repeats and realleges each and every previous paragraph of its Complaint as though fully set forth at length herein.

10. As a result of the legal services and costs provided by Plaintiff for the benefit of Defendant QUEST, the Defendant has been unjustly enriched all to the detriment of Plaintiff, and this Court should grant judgment to Plaintiff against Defendant QUEST in the amount of $35,845.47, together with interest at the highest legal rate per annum, and Plaintiff's court costs incurred herein.

## THIRD CLAIM FOR RELIEF
(Monies Due and Owing)

11. Plaintiff hereby repeats and realleges each and every previous paragraph of its Complaint as though fully set forth at length herein.

12. Defendant QUEST owes to Plaintiff the sum of $35,845.47 for the legal services rendered by Plaintiff to Defendant, together with interest accruing thereon, and although demand has been made upon said Defendant for payment of said sum, said Defendant has failed, neglected and refused, and continues to fail, neglect and refuse to pay the same.

13. Plaintiff is entitled to judgment against Defendant QUEST in the amount of $35,845.47, together with interest thereon at the highest legal rate until paid in full and Plaintiff's costs incurred herein.

WHEREFORE, Plaintiff is entitled to judgment in its favor and against Defendant QUEST, as follows:

1. For judgment against the Defendant, in the amount of $35,845.47 for the services rendered by Plaintiff to Defendant, together with interest accruing thereon at the highest legal rate per annum until paid in full;

2. For court costs and attorney fees incurred in these proceedings;

. . . .

. . . .

. . . .

3. For such other and further relief as the Court may deem just and proper in the premises.

DATED this 10 day of November, 2015.

T. JAMES TRUMAN & ASSOCIATES

By: _____

T. JAMES TRUMAN, ESQ.
Nevada Bar No. 3620
3654 North Rancho
Las Vegas, Nevada 89130
Attorney for Plaintiff

T. James Truman, Esq.
Nevada Bar No. 003620
T. JAMES TRUMAN & ASSOCIATES
3654 North Rancho Drive, Suite 101
Las Vegas, Nevada 89130
Telephone: (702) 256-0156
Fax: (702) 396-3035
E-mail: District@trumanlegal.com
Attorneys for Plaintiff

DISTRICT COURT

CLARK COUNTY, NEVADA

| | |
|---|---|
| T. JAMES TRUMAN & ASSOCIATES, a Nevada Professional corporation,<br><br>Plaintiff,<br><br>vs.<br><br>QUEST PREPARATORY ACADEMY, a state funded charter school, also known as "QUEST ACADEMY FOR PREPARATORY EDUCATION;" DOES I through X, inclusive; and ROE CORPORATIONS I through X, inclusive;<br><br>Defendants.<br>_____/ | Case No.<br>Dept. No.<br><br>**INITIAL APPEARANCE FEE DISCLOSURE (NRS CHAPTER 19)** |

Pursuant to NRS Chapter 19, as amended by Senate Bill 106, filing fees are submitted for parties appearing in the above entitled action as indicated below:

| | |
|---|---|
| T. JAMES TRUMAN & ASSOCIATES | $270.00 |
| TOTAL REMITTED: | $270.00 |

DATED this 10 day of November, 2015.

T. JAMES TRUMAN & ASSOCIATES

By: _____
T. JAMES TRUMAN, ESQ.
Nevada Bar No. 003620
3654 North Rancho Drive, Suite 101
Las Vegas, Nevada 89130-3179
(702) 256-0156
Attorneys for Plaintiff

LAW OFFICES
T. JAMES TRUMAN & ASSOCIATES
3654 NORTH RANCHO DRIVE
LAS VEGAS, NEVADA 89130
702-256-0156

# DISTRICT COURT CIVIL COVER SHEET

A-15-727469-C

County, Nevada

Case No: XIII

*(Assigned by Clerk's Office)*

## I. Party Information *(provide both home and mailing addresses if different)*

| Plaintiff(s) (name/address/phone): | Defendant(s) (name/address/phone): |
|---|---|
| T. JAMES TRUMAN & ASSOCIATES | QUEST PREPARATORY ACADEMY, a state funded |
| a Nevada Professional corporation | charter school, also known as "QUEST ACADEMY |
| | FOR PREPARATORY EDUCATION;" et al |
| | |
| Attorney (name/address/phone): | Attorney (name/address/phone): |
| T. JAMES TRUMAN, ESQ. 702-256-0156 | |
| T. JAMES TRUMAN & ASSOCIATES | |
| 3654 North Rancho Drive, Suite 101 | |
| Las Vegas, NV 89130 | |

## II. Nature of Controversy *(please select the one most applicable filing type below)*

### Civil Case Filing Types

| Real Property | Torts | |
|---|---|---|
| **Landlord/Tenant** | **Negligence** | **Other Torts** |
| ☐ Unlawful Detainer | ☐ Auto | ☐ Product Liability |
| ☐ Other Landlord/Tenant | ☐ Premises Liability | ☐ Intentional Misconduct |
| **Title to Property** | ☐ Other Negligence | ☐ Employment Tort |
| ☐ Judicial Foreclosure | **Malpractice** | ☐ Insurance Tort |
| ☐ Other Title to Property | ☐ Medical/Dental | ☐ Other Tort |
| **Other Real Property** | ☐ Legal | |
| ☐ Condemnation/Eminent Domain | ☐ Accounting | |
| ☐ Other Real Property | ☐ Other Malpractice | |

| Probate | Construction Defect & Contract | Judicial Review/Appeal |
|---|---|---|
| **Probate** *(select case type and estate value)* | **Construction Defect** | **Judicial Review** |
| ☐ Summary Administration | ☐ Chapter 40 | ☐ Foreclosure Mediation Case |
| ☐ General Administration | ☐ Other Construction Defect | ☐ Petition to Seal Records |
| ☐ Special Administration | **Contract Case** | ☐ Mental Competency |
| ☐ Set Aside | ☐ Uniform Commercial Code | **Nevada State Agency Appeal** |
| ☐ Trust/Conservatorship | ☐ Building and Construction | ☐ Department of Motor Vehicle |
| ☐ Other Probate | ☐ Insurance Carrier | ☐ Worker's Compensation |
| **Estate Value** | ☐ Commercial Instrument | ☐ Other Nevada State Agency |
| ☐ Over $200,000 | ☐ Collection of Accounts | **Appeal Other** |
| ☐ Between $100,000 and $200,000 | ☐ Employment Contract | ☐ Appeal from Lower Court |
| ☐ Under $100,000 or Unknown | ☐ Other Contract | ☐ Other Judicial Review/Appeal |
| ☐ Under $2,500 | | |

| Civil Writ | | Other Civil Filing |
|---|---|---|
| **Civil Writ** | | **Other Civil Filing** |
| ☐ Writ of Habeas Corpus | ☐ Writ of Prohibition | ☐ Compromise of Minor's Claim |
| ☐ Writ of Mandamus | ☐ Other Civil Writ | ☐ Foreign Judgment |
| ☐ Writ of Quo Warrant | | ☒ Other Civil Matters |

*Business Court filings should be filed using the Business Court civil coversheet.*

NOV 10, 2015

Date

Signature of initiating party or representative

*See other side for family-related case filings.*

# Appendix N

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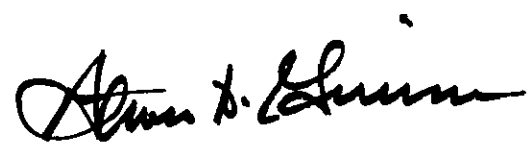

CLERK OF THE COURT

**ANS**
RICHARD F. HOLLEY, ESQ. (Nevada Bar No. 3077)
E-mail: rholley@nevadafirm.com
OGONNA M. BROWN, ESQ. (Nevada Bar No. 7589)
E-mail: obrown@nevadafirm.com
HOLLEY DRIGGS WALCH
FINE WRAY PUZEY & THOMPSON
400 South Fourth Street, Third Floor
Las Vegas, Nevada 89101
Telephone: 702/791-0308
Facsimile: 702/791-1912

*Attorneys for Joshua M. Kern,*
*as Receiver of Quest Academy Preparatory Education*

HOLLEY•DRIGGS•WALCH
FINE•WRAY•PUZEY•THOMPSON

**DISTRICT COURT**

**CLARK COUNTY, NEVADA**

| | |
|---|---|
| T. JAMES TRUMAN & ASSOCIATES, a Nevada Professional corporation,<br><br>Plaintiff,<br><br>v.<br><br>QUEST PREPARATORY ACADEMY, a state funded charter school, also known as "QUEST ACADEMY FOR PREPARATORY EDUCATION;" DOES I through X, inclusive; and ROE CORPORATIONS I through X, inclusive;<br><br>Defendants. | Case No.: A-15-727469-C<br>Dept. No.: XIII<br><br>**ANSWER TO COMPLAINT** |

Comes now Defendant, QUEST PREPARATORY ACADEMY, A STATE FUNDED CHARTER SCHOOL, also known as "QUEST ACADEMY FOR PREPARATORY EDUCATION" ("Defendant"), acting through Joshua M. Kern, as Receiver[1] of Quest Academy Preparatory Education, by and through his attorneys of record, the law firm of HOLLEY DRIGGS WALCH FINE WRAY PUZEY & THOMPSON, and for his answer to the Complaint of Plaintiff T. JAMES TRUMAN & ASSOCIATES, a Nevada Professional corporation ("Plaintiff") admits, denies, and alleges as follows:

[1] The Director of the SPCSA, acting on delegated authority from the SPCSA Board, appointed Mr. Joshua M. Kern of TenSquare, LLC to serve as the Authority-appointed receiver for the school, effective October 26, 2015.

HDW | HOLLEY•DRIGGS•WALCH | FINE•WRAY•PUZEY•THOMPSON

**FIRST CLAIM FOR RELIEF**

(Breach of Contract)

1. Answering Paragraph 1 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegations contained therein and denies the same.

2. Answering Paragraph 2 of the Complaint, Defendant admits the allegation contained therein that Quest is a non-profit entity, but denies the remaining allegations set forth therein, in that the Receiver currently operates the charter school under the direction of the SPSCA.

3. Answering Paragraph 3 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegations contained therein and therefore denies the same.

4. Answering Paragraph 4 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegation contained therein and therefore denies the same.

5. Answering Paragraph 5 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegation contained therein and therefore denies the same.

6. Answering Paragraph 6 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegation contained therein and therefore denies the same.

7. Answering Paragraph 7 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegation contained therein and therefore denies the same.

8. Answering Paragraph 8 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegation contained therein and therefore denies the same.

. . .

HDW | HOLLEY•DRIGGS•WALCH FINE•WRAY•PUZEY•THOMPSON

**SECOND CLAIM FOR RELIEF**

(Unjust Enrichment)

9. Answering Paragraph 9 of the Complaint, Defendant incorporates the answers for each and every previously paragraph set forth in the Complaint s though fully set forth at length herein.

10. Answering Paragraph 10 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegation contained therein and therefore denies the same.

**THIRD CLAIM FOR RELIEF**

(Monies Due and Owing)

11. Answering Paragraph 11 of the Complaint, Defendant incorporates the answers for each and every previous paragraph set forth in the Complaint as though fully set forth at length herein.

12. Answering Paragraph 12 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegation contained therein and therefore denies the same.

13. Answering Paragraph 13 of the Complaint, Defendant does not have sufficient knowledge or information upon which to admit or deny the allegation contained therein and therefore denies the same.

**AFFIRMATIVE DEFENSES**

As and for its separate defenses, Defendant alleges the following affirmative defenses:

FIRST AFFIRMATIVE DEFENSE

The Complaint fails to state a claim against Defendant upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

Plaintiff's claims for relief fail for want of consideration.

. . .

. . .

. . .

THIRD AFFIRMATIVE DEFENSE

At all times relevant to the allegations contained in the Complaint, Defendant acted with due care, circumspection, and good faith in the performance of any and all duties imposed on it, including full performance of any obligations owed to Plaintiff.

FOURTH AFFIRMATIVE DEFENSE

Plaintiff's claims are barred by the doctrine of equitable estoppel.

FIFTH AFFIRMATIVE DEFENSE

Plaintiff has not suffered any damages.

SIXTH AFFIRMATIVE DEFENSE

Plaintiff, by its own acts and conduct, waived its right to assert any claim.

SEVENTH AFFIRMATIVE DEFENSE

Damages and injuries, if any, suffered by Plaintiff are not attributable to any act, conduct, or omission on the part of Defendant

EIGHTH AFFIRMATIVE DEFENSE

Plaintiff breached any Agreement alleged in the Complaint and is therefore not entitled to any relief under the Agreement.

NINTH AFFIRMATIVE DEFENSE

Each and every action contained in the Complaint is barred by Plaintiff's prior breach of the implied covenant of good faith and fair dealing.

TENTH AFFIRMATIVE DEFENSE

As to any contract, obligation, or agreement alleged by Plaintiff to have been breached by Defendant, any duty of performance by Defendant was excused by reason of failure of consideration, the adhesive nature of the purported obligation, breach of condition precedent, impossibility, frustration of purpose, waiver and/or acceptance by Plaintiff.

ELLEVENTH AFFIRMATIVE DEFENSE

Defendant denies each and every allegation of Plaintiff's Complaint not specifically admitted or otherwise pled to herein.

. . .



HDW | HOLLEY•DRIGGS•WALCH FINE•WRAY•PUZEY•THOMPSON

TWELFTH AFFIRMATIVE DEFENSE

Defendant hereby incorporates by reference those affirmative defenses enumerated in NRCP 8 as though fully set forth herein. Such defenses are herein incorporated by reference for the specific purpose of not waiving the same.

THIRTEENTH AFFIRMATIVE DEFENSE

Plaintiff's claims are barred by the statute of limitations.

FOURTEENTH AFFIRMATIVE DEFENSE

Plaintiff is barred from obtaining any relief from any claim by operation of the doctrine of unclean hands.

FIFTEENTH AFFIRMATIVE DEFENSE

Plaintiff is barred from obtaining relief for any claim by reason of its failure to mitigate its damages, if any.

SIXTEENTH AFFIRMATIVE DEFENSE

Plaintiff is barred from relief for any claim by operation of the doctrine of laches.

SEVENTEENTH AFFIRMATIVE DEFENSE

There is no cognizable claim for relief known as "damages".

EIGHTEENTH AFFIRMATIVE DEFENSE

Plaintiff's claims are barred by the doctrine of mutual mistake.

NINETEENTH AFFIRMATIVE DEFENSE

Plaintiff's claims are barred by the doctrine of unilateral mistake.

TWENTIETH AFFIRMATIVE DEFENSE

If, and to the extent that Defendant is liable to Plaintiff, Defendant is entitled to an offset and/or equitable recoupment for the damages owing by Plaintiff to Defendant.

TWENTY-FIRST AFFIRMATIVE DEFENSE

Any obligation owed by Defendant to Plaintiff has been satisfied by prior performance of accord.

. . .

. . .



HDW | HOLLEY•DRIGGS•WALCH FINE•WRAY•PUZEY•THOMPSON

TWENTY-SECOND AFFIRMATIVE DEFENSE

Plaintiff should be barred from recovery in whole or part, in proportion to the fault attributed to Plaintiff or its agents.

TWENTY-THIRD AFFIRMATIVE DEFENSE

It has been necessary for the Defendants to employ the services of an attorney to defend this Complaint, and reasonable sums should be allowed as and for attorney's fees, together with the costs expended in this action.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

Pursuant to the provision of Nevada Rule of Civil Procedure 11, at the time of the filing of the Answer to the Complaint, all possible affirmative defenses may not have been alleged inasmuch as insufficient facts and relevant information may not have been available after reasonable inquiry, and therefore, Defendant reserves the right to amend this Answer to the Complaint to allege additional affirmative defenses if subsequent investigation so warrants.

WHEREFORE, Defendant prays:

1. That Plaintiff take nothing by way of its complaint, and that Defendant have judgment against Plaintiff dismissing the compliant on its merits with prejudice;

2. That Defendant have judgment against Plaintiff for reasonable attorneys' fees and costs of suit; and

3. For such other and further relief as the Court deems just and proper.

Dated this 15th day of January, 2016.

**HOLLEY DRIGGS WALCH**
**FINE WRAY PUZEY & THOMPSON**

RICHARD F. HOLLEY, ESQ.
Nevada Bar No. 3077
OGONNA M. BROWN, ESQ.
Nevada Bar No. 7589
400 South Fourth Street, Third Floor
Las Vegas, Nevada 89101

*Attorneys for Joshua M. Kern, as Receiver of Quest Academy Preparatory Education*

HDW | HOLLEY•DRIGGS•WALCH FINE•WRAY•PUZEY•THOMPSON

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on the 15th day of January, 2016, pursuant to EDCR 8.05 and NRCP 5(b), I caused to be served electronically using the Court's E-Filing System a true and correct copy of the ANSWER TO COMPLAINT addressed to the parties below. Pursuant to EDCR 8.05(i) the date and time of the electronic service is in place of the date and place of deposit in the mail. A courtesy copy was provided by mail to the same.

T. James Truman, Esq.
T. JAMES TRUMAN & ASSOCIATES
3654 N Rancho Drive, Suite 101
Las Vegas, Nevada 89130
E-mail at E-service List for Case:
Beverly Roberts broberts@trumanlegal.com; district@trumanlegal.com
*Attorneys for Plaintiff*

An employee of Holley Driggs Walch
Fine Wray Puzey & Thompson

HDW | HOLLEY•DRIGGS•WALCH | FINE•WRAY•PUZEY•THOMPSON

# Appendix O

1:08 PM

02/20/16

Accrual Basis

# Quest Academy

## Find Report

### All Transactions

| Type | Date | Num | Name | Account | Memo | Debit | Credit | Balance |
|---|---|---|---|---|---|---|---|---|
| General Journal | 07/01/2014 | WSRP028-14 | | 90000 · New Facility Costs - Expensed | Remove Tenaya/Bridger receivable from books. No suppo... | 70,000.00 | | 70,000.00 |
| General Journal | 06/30/2014 | WSRP012-14 | | 90000 · New Facility Costs - Expensed | Record receivable expected from fees paid for building pu... | 104,323.00 | | 174,323.00 |
| Bill | 05/14/2014 | | TEQlease Inc. | 90000 · New Facility Costs - Expensed | | 0.00 | | 174,323.00 |
| Bill | 05/14/2014 | | TEQlease Inc. | 90000 · New Facility Costs - Expensed | | 0.00 | | 174,323.00 |
| Bill | 04/03/2014 | Transportation | Chartered for Excellenc... | 90000 · New Facility Costs - Expensed | Transportation Purchase | 0.00 | | 174,323.00 |
| Bill | 03/26/2014 | To Open Account | Chartered for Excellenc... | 90000 · New Facility Costs - Expensed | To open account | 0.00 | | 174,323.00 |
| Bill | 03/26/2014 | 1300 E. Bridger | Gerald Crockett Wirthlin | 90000 · New Facility Costs - Expensed | Survey for Bridger | 0.00 | | 174,323.00 |
| Bill | 01/15/2014 | 2012723 | Ethos Three Architecture | 90000.4 · Architecture | Architectural Designs for NLV Campus | 1,201.80 | | 175,524.80 |
| Deposit | 01/13/2014 | | | 90000 · New Facility Costs - Expensed | NV Title Co. Refund - Cancellation of NLV Campus Escrow | | 50,000.00 | 125,524.80 |
| Deposit | 01/13/2014 | | | 90000 · New Facility Costs - Expensed | NV Title | | 100.00 | 125,424.80 |
| Bill | 12/18/2013 | Contingency Fee | Susanne Moore | 90000 · New Facility Costs - Expensed | Contingency Fee | 0.00 | | 125,424.80 |
| Bill | 11/08/2013 | Phase I Site | OGI Environmental LLC | 90000 · New Facility Costs - Expensed | Phase 1 Environmental Site Assessment | 750.00 | | 126,174.80 |
| Bill | 11/08/2013 | Phase 1 Site | OGI Environmental LLC | 90000 · New Facility Costs - Expensed | Phase I Site Assessment Fee | 750.00 | | 126,924.80 |
| Check | 11/08/2013 | 1003 | Nevada Title Company | 90000 · New Facility Costs - Expensed | To open the Escrow - Deposit | 50,000.00 | | 176,924.80 |
| Check | 11/08/2013 | 1004 | Nevada Title Company | 90000 · New Facility Costs - Expensed | Earnest Money | 100.00 | | 177,024.80 |
| Bill | 06/26/2013 | 20130626JW | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Contractor's charges | 63,623.75 | | 240,648.55 |
| Bill | 06/07/2013 | 20130607SH | S H Architecture, Inc. | 90000.4 · Architecture | New Facility billing | 22,536.63 | | 263,185.18 |
| Bill | 05/07/2013 | 120031.20 | S H Architecture, Inc. | 90000.4 · Architecture | 3rd Installment | 22,536.63 | | 285,721.81 |
| Deposit | 04/10/2013 | | | 90000 · New Facility Costs - Expensed | Deposit | | 22,536.63 | 263,185.18 |
| Check | 04/09/2013 | 6314 | S H Architecture, Inc. | 90000.4 · Architecture | | 22,536.63 | | 285,721.81 |
| Bill | 04/04/2013 | 3100R2 | S H Architecture, Inc. | 90000.4 · Architecture | 2nd installment | 22,536.63 | | 308,258.44 |
| Bill | 03/14/2013 | 0003100R1 | S H Architecture, Inc. | 90000.4 · Architecture | 1st installment on balance due | 22,536.63 | | 330,795.07 |
| Check | 02/04/2013 | EFT | First American Title Insu... | 90000.2 · Escrow Deposits | Wire Transfer | 25,000.00 | | 355,795.07 |
| Bill | 02/01/2013 | 3041 | S H Architecture, Inc. | 90000.4 · Architecture | Schematic Design new facility | 19,500.02 | | 375,295.09 |
| Bill | 01/28/2013 | 2724 | Jason Klonoski | 90000 · New Facility Costs - Expensed | New facility project manager | 7,268.48 | | 382,563.57 |
| Bill | 01/15/2013 | 10379 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Engineering services | 9,000.00 | | 391,563.57 |
| Check | 01/15/2013 | EFT | First American Title Insu... | 90000.2 · Escrow Deposits | Escrow Fees new facility | 75,000.00 | | 466,563.57 |
| Bill | 12/11/2012 | 10370 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Traffic impact analysis | 6,500.00 | | 473,063.57 |
| Bill | 12/11/2012 | 10367 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Land Title Survey | 8,556.98 | | 481,620.55 |
| Bill | 12/11/2012 | 10368 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Technical drainage study | 7,101.30 | | 488,721.85 |
| Bill | 12/11/2012 | 10373 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Parcel map patent easement vacation | 3,744.12 | | 492,465.97 |
| Bill | 12/11/2012 | 10371 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Update for traffic impact analysis | 3,500.00 | | 495,965.97 |
| Bill | 11/15/2012 | 10366 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | county drainage review | 3,981.25 | | 499,947.22 |
| Check | 11/06/2012 | EFT | Raza Development Fund | 90000 · New Facility Costs - Expensed | | 100,000.00 | | 599,947.22 |
| Deposit | 11/06/2012 | | | 90000 · New Facility Costs - Expensed | Redeposit from Bank from $10,000 wire transfer mistaken... | | 90,000.00 | 509,947.22 |
| Bill | 11/03/2012 | 10369 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Technical drainage study | 2,656.26 | | 512,603.48 |
| Bill | 10/22/2012 | 10362 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | | 1,120.00 | | 513,723.48 |
| Bill | 09/19/2012 | 10360 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Deer Springs Facility | 4,000.00 | | 517,723.48 |
| Bill | 09/13/2012 | 2969 | S H Architecture, Inc. | 90000.4 · Architecture | Permanent Facility | 15,035.06 | | 532,758.54 |
| Bill | 08/22/2012 | 10354 | JS Waltz Construction, ... | 90000.3 · JS Walz Construciton | Permanent Site | 7,250.00 | | 540,008.54 |
| Bill | 08/22/2012 | K-8 | City of Las Vegas - Lice... | 90000.1 · City Fees | Special Use Permint K-8 Deer Springs property | 1,030.00 | | 541,038.54 |
| Bill | 08/22/2012 | 8-12 | City of Las Vegas - Lice... | 90000.1 · City Fees | Special Use Permint 8-12 Deer Springs property | 1,030.00 | | 542,068.54 |
| Bill | 08/22/2012 | Site Dev Plan | City of Las Vegas - Lice... | 90000.1 · City Fees | Site Development Plan Review | 1,030.00 | | 543,098.54 |
| Bill | 08/22/2012 | Neighborhood Mtg | City of Las Vegas - Lice... | 90000.1 · City Fees | Neighborhood Meeting notification | 500.00 | | 543,598.54 |
| Bill | 08/01/2012 | | First American Title Insu... | 90000.2 · Escrow Deposits | Perminent Land Site | 50,000.00 | | 593,598.54 |
| Bill | 07/27/2012 | Facility | HighMark School Develo... | 90000 · New Facility Costs - Expensed | | 4,000.00 | | 597,598.54 |
| Bill | 07/27/2012 | | HighMark School Develo... | 90000 · New Facility Costs - Expensed | Facility | 4,000.00 | | 601,598.54 |
| Total | | | | | | 764,235.17 | 162,636.63 | 601,598.54 |

# Appendix P

Torrey Pines Campus

# TRIPLE NET REAL ESTATE LEASE

Between

**TOWER DISTRIBUTION CENTER, LLC**

as Landlord

and

**QUEST ACADEMY PREPARATORY EDUCATION**

as Tenant

Dated as of 3/27, 2015

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# TRIPLE NET REAL ESTATE LEASE

**THIS TRIPLE NET REAL ESTATE LEASE** (this "Lease") is made as of the ____ day of _____, 2015, by and between **TOWER DISTRIBUTION CENTER, LLC**, a Nevada limited liability company ("Landlord") and **QUEST ACADEMY PREPARATORY EDUCATION, a Nevada State Funded Charter School** ("Tenant").

## ARTICLE ONE
## BASIC TERMS

**Section 1.01 DEFINITIONS**. For purposes of this Lease, the following terms shall have the following meanings:

(a) Landlord's Address: **7495 W. Azure Drive, Suite 100, Las Vegas, Nevada 89130 Attention: Tony Winsor.**

(b) Tenant's Address: **7495 W. Azure Drive, Suite 140, Las Vegas, Nevada 89130**

(c) Premises: Approximately **twenty-five thousand and twenty-six (25,026)** rentable square feet of office space located at **4701 N. Torrey Pines, Las Vegas, Nevada, 89130; 4660 N. Rancho Drive, Las Vegas, Nevada 89130; and 4624 N. Rancho Drive, Las Vegas, Nevada, 89130; as well all the attached parking, courtyard, paved, and/or landscaped areas set forth on the map attached hereto as Exhibit "A" and incorporated herein by reference. "Premises" does not include the "Future Building Sites" identified in Exhibit A by a red line outlining the site of the "Temporary Fence for Future".**

(d) Future Building Sites: That portion of land owned by Landlord contained within in the red boundary identified as "Temporary Fence for Future" shown on the map attached hereto as Exhibit A, which shows pads placed for the building of future buildings. Future Building Sites is that portion of Exhibit A which is not the "Premises" as described in Section 1.01(c) above.

(e) The "Lease Term" or "original lease term" shall begin on the Commencement Date and continue until **July 31, 2030.**

(f) The "Extended Lease Term" or "extended term" is an option granted to Tenant to extend the lease by an additional one year pursuant to Section 2.02.

(g) Commencement Date: Shall mean the earlier of the date Tenant actually occupies the Premises or **August 1, 2015**, except as delayed pursuant to this Lease. If all required governmental inspections have been completed and a certificate of occupancy has been issued for the Premises before August 1, 2015, Tenant may take early possession of the premises and pay a monthly rent of $35,000.00 per month until the "Base Rent" takes effect on September 1, 2015 as outlined in Section 1.03.

(h) Permitted Uses: **Charter School and Related Institution.**

(i) Tenant's Guarantor: **Quest Academy, a Nevada State Funded Charter School.**

(j) Landlord's Broker: **None.**

(k) Tenant's Broker: **None.**

(l) Real Property Taxes: Any form of tax, assessment, license fee, license tax, business license fee, commercial rental tax, levy, charge, penalty, tax or similar imposition, imposed by an authority having the direct power to tax (including any city, county, state or federal government, or any school, agricultural, lighting, drainage, transportation, air pollution, environmental or other improvement or special assessment district) as against any legal or equitable interest of Landlord in the Building and/or the Premises.

(m) Prime Rate: That fluctuating rate of interest announced from time to time by the Commercial Bank of Nevada as its prime or reference commercial lending rate of interest (or in the event such bank is no longer announcing such rate, by such other federally regulated banking institution of comparable stature as Landlord shall reasonably determine).

**Section 1.02 DEPOSIT.** A security deposit of **Thirty-Five Thousand Dollars ($35,000.00)** shall be given on the first full month of occupancy. No "base rent" shall be charged for the first full month of occupancy.

**Section 1.03 BASE RENT**. The payment of "Base Rent" shall increase three percent (3%) per year, shall begin on September 1, 2015, and shall be as follows:

(i) During year one of the Lease Term (9/1/2015 to 7/31/16, the Base Rent shall be equal to Thirty-five Thousand Dollars ($35,000.00) per month.

(ii) During year two of the Lease Term (8/1/2016 to 7/31/17), the Base Rent shall be equal to Thirty-Six Thousand and Fifty Dollars ($36,050.00) per month.

(iii) During year three of the Lease Term (8/1/2017 to 7/31/2018, the Base Rent shall be equal to Thirty-Seven Thousand, One Hundred Thirty-One and 50/100 Dollars ($37,131.50) per month.

(iv) During year four of the Lease Term (8/1/2018 to 7/31/2019), the Base Rent shall be equal to Thirty-Eight Thousand, Two Hundred Forty-Five and 45/100 Dollars ($38,245.45) per month.

(v) During year five of the Lease Term (8/1/2019 to 7/31/2020), the Base Rent shall be equal to Thirty-Nine Thousand, Three Hundred Ninety-Two and 81/100 Dollars ($39,392.81) per month.

(vi) During year six of the Lease Term (8/1/2020 to 7/31/2021), the Base Rent shall be equal to Forty Thousand, Five Hundred and Seventy-Four and 59/100 Dollars ($40,574.59) per month.

(vii) During year seven of the Lease Term (8/1/2021 to 7/31/2022), the Base Rent shall be equal to Forty-One Thousand, Seven Hundred and Ninety-One and 83/100 Dollars ($41,791.83) per month.



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(viii) During year eight of the Lease Term (8/1/2022 to 7/31/2023), the Base Rent shall be equal to Forty-Three Thousand, Forty-Five and 58/100 Dollars ($43,045.58) per month.

(ix) During year nine of the Lease Term (8/1/2023 to 7/31/2024), the Base Rent shall be equal to Forty-Four Thousand, Three Hundred and Thirty-Six and 95/100 Dollars ($44,336.95) per month.

(x) During year ten of the Lease Term (8/1/2024 to 7/31/2025), the Base Rent shall be equal to Forty-Five Thousand, Six Hundred and Sixty-Seven and 06/100 Dollars ($45,667.06) per month.

(xi) During year eleven of the Lease Term (8/1/2025 to 7/31/2026), the Base Rent shall be equal to Forty-Seven Thousand, Thirty-Seven and 07/100 Dollars ($47,037.07) per month.

(xii) During year twelve of the Lease Term (8/1/2026 to 7/31/2027), the Base Rent shall be equal to Forty-Eight Thousand, Four Hundred and Forty-Eight and 18/100 Dollars ($48,448.18) per month.

(xiii) During year thirteen of the Lease Term (8/1/2027 to 7/31/2028), the Base Rent shall be equal to Forty-Nine Thousand, Nine Hundred and One and 63/100 Dollars ($49,901.63) per month.

(xiv) During year fourteen of the Lease Term (8/1/2028 to 7/31/2029), the Base Rent shall be equal to Fifty-One Thousand, Three Hundred and Ninety-Eight and 68/100 Dollars ($51,398.68) per month.

(xv) During year fifteen of the Lease Term (8/1/2029 to 7/31/2030), the Base Rent shall be equal to Fifty-Two Thousand, Nine Hundred and Forty and 64/100 Dollars ($52,940.64) per month.

## ARTICLE TWO
## LEASE TERM AND RIGHT OF FIRST REFUSAL

**Section 2.01** **LEASE OF PROPERTY FOR LEASE TERM**. Landlord hereby leases the Premises to Tenant and Tenant leases the Premises from Landlord for the "Lease Term" defined in Section 1.01(e). The "Commencement Date" shall be the date specified in Section 1.01(g) above unless advanced or delayed under any provision of this Lease.

**Section 2.02** **OPTION FOR EXTENDED LEASE TERM.** Provided this Lease is still in effect and has not been terminated for any reason, and provided the Tenant notifies Landlord **Ninety (90) Days** before the expiration of the Lease Term of Tenant's election so to do, the Tenant is hereby given the right, at Tenant's option to extend the term of this lease for an additional **one (1) year period** from **August 1, 2030**, to and including **July 31, 2031** ("Extended Lease Term" or "extended term") at the rental amount of **Fifty-Four Thousand, Five Hundred and Twenty-Eight and 86/100 Dollars ($54,528.86)** per month and upon the same terms and conditions as set forth herein for the original term hereof.



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413 **Section 2.03** **HOLDING OVER**. Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify and hold Landlord harmless against all damages, claims, losses, penalties, charges, and expenses (including reasonable attorney's fees) incurred by Landlord resulting from any delay by Tenant in vacating the Premises. If Tenant does not vacate the Premises upon the expiration or earlier termination of this Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a tenancy at will, subject to all of the terms of this Lease applicable to a tenancy at will, except that the Base Rent then in effect shall be equal to two hundred percent (200%) of the Base Rent in effect immediately prior to the expiration or earlier termination of this Lease.

**Section 2.04** **RIGHT OF FIRST REFUSAL**. In the event of any offer acceptable to Landlord, or to Landlord's successor in interest, at any time or times during the original or extended term hereof, for a lease of the Premises and/or Future Building Sites, the Landlord, prior to acceptance thereof, shall give the Tenant, with respect to each such offer, written notice thereof and a copy of said offer including the name and address of the proposed lessee; and Tenant shall have the option and right of first refusal for sixty (60) days after receipt of such notice within which to elect to lease the Premises and/or Future Building Sites, as the case may be, on the terms of said offer. If Tenant shall elect to lease the Premises and/or Future Building Sites pursuant to the option and first refusal herein granted, it shall give notice of such election within such sixty (60) day period. Tenant's failure at any time to exercise its option under this paragraph shall not effect this lease and the continuance of Tenant's rights and options under this and any other paragraph herein.

In the absence of a competing offer, Tenant may still, during the time of the original or extended term hereof, and with the approval of Landlord, elect to lease all or part of the "Future Building Sites" identified in Section 1.01(d) for Fair Market Rent. In the event of a continuing dispute concerning Fair Market Rent, Tenant and Landlord shall select a local appraiser who is a member of the American Institute of Real Estate Appraisers, or if it shall not then be in existence, a member of the most nearly comparable organization, and who has a minimum of five (5) years experience in the Las Vegas, Nevada commercial leasing market, who is licensed by the State of Nevada, and who is not affiliated with either party or involved in an active transaction in which either party is also involved. The appraiser shall determine the Fair Market Rent by evaluating the bona fide rates, terms and conditions then being paid by tenants in "arm's length" transactions for comparable space in comparable buildings in the same geographic submarket as the Premises, recognizing that there shall be no brokerage fees payable in the transaction. The determination of the appraiser shall be final and binding on Landlord and Tenant. In the event that Landlord and Tenant cannot come to an agreement on a single neutral appraiser, Landlord and Tenant shall each appoint their own appraisers to negotiate together on a valuation. If the two appointed appraisers are unable to come to an agreement on a single appraisal, they shall choose an independent third appraiser and submit their separate appraisals to the independent third appraiser. The valuation made by the independent third party appraiser shall be final and binding.

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## ARTICLE THREE
## COMMON AREAS

There are no common areas. All areas described in Paragraph 1.01(c) and outlined in Exhibit "A" are being leased by Tenant and are to be well maintained by Tenant. There are no common areas for which Landlord has maintenance responsibility. The two areas in Exhibit "A" outlined in red and identified as "Temporary Fence for Future" are "Future Building Sites" under 1.01(d) and are not part of the "Premises" under 1.01(c). The Future Building Sites shall be maintained by Landlord in accordance with established safety statutes and regulations, and fenced off by Landlord as indicated on Exhibit "A".

## ARTICLE FOUR
## OTHER CHARGES PAYABLE BY TENANT; INSURANCE

**Section 4.01 ADDITIONAL RENT.**

All charges payable by Tenant hereunder other than "Base Rent" are called "Additional Rent." Unless this Lease provides otherwise, all Additional Rent shall be paid with the next monthly installment of Base Rent. The Term "Rent" shall mean Base Rent and Additional Rent.

**Section 4.02 OPERATING COSTS.**

Tenant, at Tenant's expense, shall perform all repairs and replacements and routine maintenance necessary to properly maintain all portions of the Premises. Tenant shall keep all portions of the Premises for which they have responsibility in good repair and proper working condition. Landlord reserves the right to enter the Premises and make any repairs or replacement Landlord feels necessary due to Tenant failure to maintain the premises. If Landlord is forced to perform any repairs, replacement, or maintenance on the Premises due to Tenant's failure to comply with this provision, Tenant shall reimburse Landlord for any and all expenses incurred.

Pursuant to NRS 361.096, Tenant is a tax exempt governmental entity. Tenant shall pay no real property taxes to Landlord. Landlord agrees to timely apply for tax abatement from the Clark County Assessors office.

**Section 4.03 PERSONAL PROPERTY TAXES.**

Pursuant to NRS 361.096, Tenant is a tax exempt governmental entity. Tenant shall pay no personal property taxes to Landlord.

**Section 4.04 UTILITIES.** Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, telephone, water, and other utilities and services supplied to the Premises.

**Section 4.05 INSURANCE.**

(a) Property Insurance. Tenant shall maintain property insurance on the Building and appurtenant structures in such amounts as Landlord may deem necessary or appropriate. Such insurance shall be at the Tenant's expense, shall be **Five Million Dollars ($5,000,000) or what the insurance company estimates is the replacement value of the building, whichever is greater**, and shall



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name Landlord as an additional insured. Payments for losses thereunder shall be made to Tenant. and Tenant shall use said payments to rebuild the premises to the same specifications as original construction.

(b) Public Liability Insurance. Tenant shall, at Tenant's expense, maintain a policy of Commercial General Liability insurance insuring Landlord and Tenant against liability arising out of the ownership, use, occupancy or maintenance of the Premises. The initial amount of such insurance shall be at least **One Million Dollars ($1,000,000)**, and shall be subject to periodic increase upon reasonable demand by Landlord based upon inflation, increased liability awards, recommendation of professional insurance advisers, and other relevant factors. However, the limits of such insurance shall not limit Tenant's liability nor relieve Tenant of any obligation hereunder. Landlord shall be named as an additional insured on said policy and such policy shall contain the following provision: "Such insurance as afforded by this policy for the benefit of Landlord shall be primary as respects any claims, losses or liabilities arising out of the use of the Premises by the Tenant or by Tenants operation and any insurance carried by the Landlord shall be excess and noncontributing." The policy shall insure Tenant's performance of the indemnity provisions of Section 5.05.

(c) Insurance Policies. Insurance required to be maintained by Tenant hereunder shall be in companies holding a "General Policyholders' Rating" of "B +" or better and a "financial rating" of 10 or better, as set forth in the most current issue of "Best's Insurance Guide," or a policy underwritten by Lloyd's of London. Tenant shall promptly deliver to Landlord, within thirty (30) days of the Commencement Date, original certificates evidencing the existence and amounts of such insurance. Acceptance of the Tenant's insurance company, considering the rating and financial health of the insurer, is subject to final approval by the Landlord. No such policy shall be cancelable or subject to substantial reduction of coverage except after thirty (30) days prior written notice to Landlord. Tenant shall, within thirty (30) days prior to the expiration, cancellation or reduction of such policies, furnish Landlord with renewals or "binders" thereof. Tenant shall not do or permit to be done anything which shall invalidate the insurance policies required under this Lease.

**Section 4.06 WAIVER OF SUBROGATION**. Tenant and/or Landlord shall obtain from the issuer of the insurance policies referred to in this Article 4 a mutual waiver of subrogation provision in said policies and Tenant and Landlord each hereby release and relieve the other, and waive any and all rights of recovery against the other, or against the employees, officers, agents and representatives of the other, for loss or damage arising out of or incident to the perils insured against under this Article 4 which perils occur in, on or about the Property, whether due to the negligence of Landlord or Tenant or their agents, employees, contractors or invitees. These waivers of subrogation shall be evidenced by appropriate endorsements to the Tenant's and/or Landlord's policies.

**Section 4.07 LATE CHARGES**. Tenant acknowledges that Tenant's failure to pay Base Rent or Additional Rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Premises. Therefore, if Landlord does not receive any Rent payment within ten (10) days after it becomes due; Tenant shall pay Landlord a late charge equal to ten percent (10%) of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will



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incur by reason of such late payment. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Rent, the Rent shall automatically become due and payable quarterly in advance, rather than monthly.

**Section 4.08** **INTEREST ON PAST DUE OBLIGATIONS**. Any amount owed by Tenant to Landlord which is not paid when due shall bear interest at the rate of (i) fifteen percent (15%) per annum, or (ii) the Prime Rate plus five (5) percentage points per annum, whichever is greater, from the due date of such amount. However, interest shall not be payable on late charges to be paid by Tenant under this Lease. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Lease. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate permitted by law.

**Section 4.09** **RETURN OF CHECK**. If Base Rent or Additional Rent is paid by check and the check is returned to Landlord for any reason whatsoever without payment, Tenant shall be assessed a late charge and interest on past due amount pursuant to Sections 4.07 and 4.08 as well as a Fifty Dollar ($50) fee to cover the charge assessed by the financial institution that returns the check. If payment is returned for insufficient funds, Landlord has the right to demand payment in the form of cashiers or certified check. If Tenant has two (2) or more insufficient funds' payments in a twelve (12) month period, Landlord will have the right to demand all subsequent payments be in the form of a cashiers or certified check.

## ARTICLE FIVE
## USE OF PROPERTY

**Section 5.01** **PERMITTED USES**. Tenant may use the Premises only for the Permitted Uses set forth in Section 1.01(h) above.

**Section 5.02** **MANNER OF USE**. Tenant shall not cause or permit the Premises to be used in any way (i) which constitutes (or would constitute) a violation of any law, ordinance, or governmental regulation or order, or (ii) which annoys or interferes with the rights of tenants or users of the Office Complex, or (iii) which constitutes a nuisance or waste. Tenant shall comply with all applicable statutes, ordinances, rules, regulations, orders and requirements, now in force or which may hereafter be in force ("Laws") regulating the use, occupancy or alterations by Tenant of the Premises, including the Occupational Safety and Health Act and all Laws relating to toxic and hazardous wastes and environmental protection. Landlord is responsible to secure all zoning permits for the Premises, and the further suitability of the Premises for Tenant's intended use.

**Section 5.03** **HAZARDOUS SUBSTANCES**.

(a) Hazardous Substances. The term "Hazardous Substances", as used in this Lease, shall include, without limitation, flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum and petroleum products, and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority. However, reasonable exception will be made for substances which otherwise might be deemed "Hazardous Substances" when



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stored and used properly in the educational setting such as in chemistry, science or other related classroom settings.

(b) Tenant's Restrictions. Tenant shall not cause or permit to occur:

(1) 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 Premises, or arising from Tenant's use or occupancy of the Premises, including, but not limited to, soil and ground water conditions; or

(2) The use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substances on, under, or about the Premises, or the transportation to or from the Premises of any Hazardous Substance, except as specifically disclosed on a schedule attached to this Lease.

(c) Environmental Clean-up.

(1) Tenant shall, at Tenant's own expense, comply with all laws regulating the use, generation, storage, transportation, or disposal of Hazardous Substances ("Hazardous Substances Laws").

(2) Tenant shall, at Tenant's own expense, make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities (the "Authorities") under the Hazardous Substances Laws.

(3) Should any Authority or any third party demand that a clean-up plan be prepared and that a clean-up be undertaken because of any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Lease, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, then Tenant shall, at Tenant's own expense, prepare and submit the required plans and all related bonds and other financial assurances; and Tenant shall carry out-all such clean-up plans.

(4) Tenant shall promptly provide all information regarding the use, generation, storage, transportation, or disposal of Hazardous Substances that is requested by Landlord. If Tenant fails to fulfill any duty imposed under this Paragraph (c) within a reasonable time, Landlord may do so; and in such case, Tenant shall cooperate with Landlord in order to prepare all documents Landlord deems necessary or appropriate to determine the applicability of the Laws to the Premises and Tenant's use thereof, and for compliance therewith, and Tenant shall execute all documents promptly upon Landlord's request. No such action by Landlord and no attempt made by Landlord to mitigate damages under any Law shall constitute a waiver of any of Tenant's obligations under this Paragraph (c).

(d) Tenant's Indemnity.

(1) Tenant shall indemnify, defend, and hold harmless Landlord, the manager of the property, and their respective officers, directors, beneficiaries, shareholders, partners, agents, and employees from all fines, suits, procedures, claims and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of



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Hazardous Substances that occurs during the term of this Lease, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, or from Tenant's failure to provide all information, make all submissions, and take all steps required by all Authorities under the Hazardous Substances Laws and all other environmental laws.

(2) Landlord, the manager of the property, and their respective officers, directors, beneficiaries, shareholders, partners, agents, and employees (collectively, "Landlord") shall indemnify, defend, and hold harmless Tenant, from all fines, suits, procedures, claims and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Lease, at or from the Premises, or which arises at any time from Landlord's use or occupancy of the Premises, or from Landord's failure to provide all information, make all submissions, and take all steps required by all Authorities under the Hazardous Substances Laws and all other environmental laws.

(3) Landlord's and Tenant's obligations and liabilities under this Paragraph (d) shall survive the expiration of this Lease.

**Section 5.04 INTENTIONALLY OMITTED**

**Section 5.05 INDEMNITY**. Tenant shall indemnify and hold harmless Landlord and all agents, servants and employees of Landlord from and against all claims, losses, damages, expenses (including reasonable attorneys' fees), penalties and charges arising from or in connection with (i) Tenant's use of the Premises during the Lease Term, or (ii) from the conduct of Tenant's business, or (iii) from any activity, work or things done, permitted or suffered by Tenant in or about the Premises during the Lease Term or pursuant to the License. Tenant shall further indemnify and hold harmless Landlord from and against any and all claims, loss, damage, expense (including reasonable attorneys' fees), penalty or charge arising from any default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any negligence of Tenant, or any of Tenant's agents, contractors, or employees, and from and against all costs, attorneys' fees, expenses and liabilities incurred-in the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding were brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord. Tenant, as a material part of its consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in or upon the Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord. Notwithstanding the foregoing, Tenant shall not be required to defend, save harmless or indemnify Landlord from any liability for injury, loss, accident or damage to any person or property resulting from Landlord's own negligence or willful acts or omissions, or those of Landlord's officers, agents, contractors or employees. Tenant's indemnity is not intended to nor shall it relieve any insurance carrier of its obligations under policies required to be carried by Tenant pursuant to the provisions of this Lease to the extent that such policies cover the results of negligent acts or omissions of Landlord, its officers, agents, contractors or employees, or the failure of Landlord to perform any of its obligations under this Lease. Landlord shall indemnify and hold harmless or indemnify Tenant from any liability for injury, loss, accident or damage to any person or property resulting from Landlord's



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own negligence or willful acts or omissions, or those of Landlord's officers, agents, contractors or employees.

**Section 5.06** **LANDLORD'S ACCESS**. Landlord or its agents may enter the Premises at all reasonable times for repairs and any other purpose Landlord deems necessary. Landlord shall give Tenant prior notice of such entry, except in the case of an emergency. Landlord understands and agrees that Tenant's intended use of the Building and Premises is for a charter school. As a result, Landlord agrees to use its best efforts to schedule any entrance upon the Premises to times when school is not in session, when students are not present, or when such entry would produce the least possible disruption to students, class schedules and other school events. Tenant shall provide Landlord with copies of all keys to the Premises, except for cabinets or other strong box(es) where confidential documents are stored.

**Section 5.07** **QUIET POSSESSION**. If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Premises for the full Lease Term, subject to the provisions of this Lease and the Declaration.

## ARTICLE SIX
## CONDITION OF PROPERTY; MAINTENANCE, REPAIRS AND ALTERATIONS

**Section 6.01** **INTENTIONALLY OMITTED**

**Section 6.02** **INTENTIONALLY OMITTED**

**Section 6.03** **PORTABLE CLASSROOM PLACEMENT.** Tenant may choose to have temporary portable classrooms **able to serve up to a maximum of 208 students** placed on the Premises by Landlord and rented at a rate of **$1.40 per square foot**. Said portable classrooms shall be provided and installed by Landlord. Tenant shall give Landlord written notice of Tenant's decision to have portable classrooms installed. Landlord will then have 120 days after receipt of the written notice to have the portable classrooms and all necessary utilities installed. In the event this provision is utilized by Tenant, a separate contract shall be prepared between Landlord and Tenant to control the installation and use of said portable classrooms.

**Section 6.04** **TENANT'S OBLIGATIONS**.

(a) Except as otherwise indicated in this Agreement, Tenant shall, at Tenant's sole cost and expense, keep all portions of the Premises in good order, condition and repair, including, without limitation, all components of the electrical, mechanical, plumbing, heating and air conditioning systems which serve the Premises. If any portion of the Premises or any system or equipment in the Premises which Tenant is obligated to repair cannot be fully repaired, Tenant shall promptly replace such portion of or system or equipment in the Premises, regardless of whether the benefit of such replacement extends beyond the Lease Term.

(b) If Tenant fails to maintain or repair the Premises as required by this Section 6.04, Landlord may, upon ten (10) days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Premises (subject to the provisions of Section 5.06 hereof) and perform such maintenance or repair on behalf of Tenant. In such case, Tenant shall reimburse



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Landlord for all costs incurred in performing such maintenance or repair, and for reasonable costs not to exceed a 5% surcharge for Landlord's supervision, immediately upon demand.

**Section 6.05 ALTERATIONS; ADDITIONS AND IMPROVEMENTS.**

(a) Tenant shall not make any alterations, additions, or improvements to the Premises without Landlord's prior written consent, which will not be unreasonably withheld. Tenant shall deliver to Landlord, for Landlord's approval prior to any construction, a complete set of plans and specifications for the proposed alterations, additions or improvements, copies of contracts with general contractors, evidence of contractor's insurance and bonds, and all necessary permits for such construction. Landlord may require Tenant to provide demolition and/or lien and completion bonds in form and amount satisfactory to Landlord. Tenant shall promptly remove any alterations, additions, or improvements constructed in violation of this Section 6.05(a) upon Landlord's written request. All alterations, additions, and improvements will be accomplished in a good and workmanlike manner, in conformity with all-applicable laws and regulations, and by a contractor approved by Landlord. Landlord's approval of the plans, specifications and working drawings for Tenant's alterations shall create no responsibility for liability on the part of Landlord for their completeness, design, sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts, and proof of payment for all labor and materials.

(b) Tenant shall pay when due all claims for labor and material furnished to the Premises. Tenant shall give Landlord at least ten (10) days' prior written notice of the commencement of any work on the Premises. Landlord may elect to record and post notices of non-responsibility on the Premises.

**Section 6.06 CONDITION UPON TERMINATION.** Upon the termination of this Lease, Tenant shall surrender the Premises to Landlord, broom clean and in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. All alterations, additions and improvements which Landlord has not required Tenant to remove shall become Landlord's property and shall be surrendered to Landlord upon the termination of the Lease, except that Tenant may remove any of Tenant's machinery or equipment which can be removed without material damage to the Premises. Tenant shall repair, at Tenant's expense; any damage to the Premises caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment without Landlord's prior written consent: any power wiring or power panels; lighting or lighting fixtures; wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters, air conditioners or any other heating or air conditioning equipment; fencing or security gates; or other similar building operating equipment and decorations.

## ARTICLE SEVEN
## DAMAGE OR DESTRUCTION

**Section 7.01 PARTIAL DAMAGE TO PROPERTY.** Tenant shall notify Landlord in writing immediately upon the occurrence of any damage to the Premises. If the Premises is only partially damaged and if the proceeds received by Landlord from the insurance policies described in Section 4.05(a) are sufficient to pay for the necessary repairs, this Lease shall remain in effect



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and Landlord shall repair the damage as soon as reasonably possible. Landlord may elect to repair any damage to Tenant's fixtures, equipment, or improvements but shall be under no obligation to do so. If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Section 4.05(a), Landlord may elect either to (a) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (b) terminate this Lease as of the date the damage occurred. If Landlord elects to repair the damage, Tenant shall pay to Landlord the deductible amount (if any) under Landlord's insurance policies, and, if damage was due to an act or omission of Tenant, the difference between the actual cost of repair and any insurance proceeds received by Landlord. Landlord shall notify Tenant within thirty (30) days after receipt of notice of the occurrence of the damage, whether Landlord elects to repair the damage or terminate this Lease. If the damage to the Premises occurs during the last six (6) months of the Lease Term, Landlord may elect to terminate this Lease as of the date the damage occurred, regardless of the sufficiency of any insurance proceeds. In such event, Landlord shall not be obligated to repair or restore the Premises and Tenant shall have no right to continue this Lease. Landlord shall notify Tenant of its election within thirty (30) days after receipt of notice of the occurrence of the damage.

**Section 7.02 TOTAL OR SUBSTANTIAL DESTRUCTION**. If the Premises or the Building is totally or substantially destroyed by any cause other than Tenant's own negligence, this lease will be terminated as of the date the destruction occurred regardless of receipt of insurance proceeds by Landlord or Tenant. If the destruction was caused by an act or omission of Tenant, and the Building can be rebuilt within one (1) year after the date of destruction, Landlord may elect to rebuild the Premises at Landlord's own expense, in which case, this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within thirty (30) days after the occurrence of total or substantial destruction. If the destruction was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

**Section 7.03 REDUCTION OF RENT**. If the Premises is destroyed or damaged and Landlord or Tenant repairs or restores the Premises pursuant to the provisions of this Article Seven, any Rent payable during the period of such damage, repair and/or restoration shall be reduced according to the degree, if any, to which Tenant's use of the Premises is impaired as of the date of the casualty. Except for such possible reduction in Rent, Tenant shall not be entitled to any compensation, reduction, or reimbursement from Landlord as a result of any damage, destruction, repair, or restoration of or to the Premises. In the event this Lease is terminated pursuant to this Article Seven, all obligations of Tenant to pay Rent shall abate as of the date of the casualty.

**Section 7.04 WAIVER**. Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial destruction of the leased property. Tenant agrees that the provisions of this Article Seven above shall govern the rights and obligations of Landlord and Tenant in the event of any casualty to the Premises.

## ARTICLE EIGHT
## CONDEMNATION

**Section 8.01 CONDEMNATION**. If the whole or substantially the whole of the Building or the Premises should be taken for any public or quasi-public use, by right of eminent domain or otherwise or should be sold in lieu of condemnation, then this Lease shall terminate as of the date

when physical possession of the Building or the Premises is taken by the condemning authority. If less than the whole or substantially the whole of the Building or the Premises is thus taken or sold, Landlord (whether or not the Premises are affected thereby) may terminate this Lease by giving written notice thereof; in which event this Lease shall terminate as of the date when physical possession of such portion of the Building or Premises is taken by the condemning authority. If the Lease is not so terminated upon any such taking or sale, the Rent payable hereunder shall be diminished by an equitable amount, and Landlord shall, to the extent Landlord deems feasible, restore the Building and the Premises to substantially their former condition, but such work shall not exceed the scope of the work done by Landlord in originally constructing the Building and installing Building Standard Improvements in the Premises, nor shall Landlord in any event be required to spend for such work an amount in excess of the amount received by Landlord as compensation for such taking. All amounts awarded upon a taking of any part or all of the Building or the Premises shall belong to Landlord, and Tenant shall not be entitled to and expressly waives all claims to any such compensation.

## ARTICLE NINE
## ASSIGNMENT AND SUBLETTING

**Section 9.01** **LANDLORD'S CONSENT REQUIRED**. No portion of the Premises or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by assignment, mortgage, sublease, transfer, operation of law, or act of Tenant, without Landlord's prior written consent, which will not be unreasonably withheld. Any attempted transfer without consent shall be void and shall constitute a non-curable breach of this Lease. If Tenant is a partnership, any cumulative transfer of more than twenty percent (20%) of the partnership interests shall require Landlord's consent. If Tenant is a corporation or other legal entity, any change in a controlling interest of the voting stock or other ownership interests of such corporation or other legal entity shall require Landlord's consent.

**Section 9.02** **LANDLORD'S ELECTION**. Tenant's request for consent to any transfer described in Section 9.01 above shall be accompanied by a written statement setting forth the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of and rent and security deposit payable under any assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right in Landlord's sole discretion (a) to withhold consent; (b) to grant consent; or (c) if the transfer is a sublease of the Premises or an assignment of this Lease, to terminate this Lease as of the effective date of such sublease or assignment, in which case Landlord may elect to enter into a direct lease with the proposed assignee or subtenant.

**Section 9.03** **NO RELEASE OF TENANT**. No transfer consented to by Landlord, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Upon the occurrence of any default under this Lease, Landlord may proceed directly against Tenant without the necessity of exhausting any remedies against any subtenant or assignee. Any permitted assignee or sub-tenant shall, at Landlord's option, attorney to Landlord and shall pay all Rent directly to Landlord. Landlord's acceptance of Rent from any other person shall not constitute a waiver of any provision of this Article Nine. Consent to one transfer shall not constitute a consent to any subsequent transfer. If Tenants transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies



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against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant of its liability under this Lease.

**Section 9.04 NO MERGER**. No merger shall result from Tenant's sublease of the Premises under this Article Nine, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all Subtenancies or succeed to the interest of Tenant as sublandlord thereunder.

## ARTICLE TEN
## DEFAULTS; REMEDIES

**Section 10.01 COVENANTS AND CONDITIONS**. Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

**Section 10.02 DEFAULTS**. Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Premises or if Tenant vacates the Premises for thirty (30) consecutive days;

(b) If Tenant fails to pay Rent or any other charge required to be paid by Tenant, as and when due;

(c) If Tenant fails to perform any of Tenant's nonmonetary obligations under this Lease for a period of ten (10) days after written notice from Landlord; provided that if more than ten (10) days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within such ten (10) day period and thereafter diligently pursues its completion;

(d) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within thirty (30) days; (ii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or (iv) if substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within thirty (30) days. If a court of competent jurisdiction determines that any of the acts described in this subsection (d) is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive, as Additional Rent, the difference between the rent (or any other consideration) paid in connection with such assignment or sublease and the rent payable by Tenant hereunder;

(e) Any representation or warranty made by Tenant or by a subtenant or assignee in connection with this Lease shall have been false or misleading as of the date such representation or warranty was made; or

(f) If Tenant fails to take substantial occupancy of the Premises within a reasonable time after the Commencement Date.

**Section 10.03 REMEDIES**. On the occurrence of any default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including without limitation (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which had been earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which would have been earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which would have been paid for the balance of the Lease term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Landlord in maintaining or preserving the Premises after such default, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises, Landlord's reasonable attorneys' fees incurred in connection therewith, and any real estate commission paid or payable. As used in subparts (I) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of fifteen percent, or such lesser amount as may then be the maximum lawful rate, accruing the date such payments are due until paid. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent( 1%);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover Rent as it becomes due hereunder. Landlord's election to maintain Tenant's right to possession shall not prejudice Landlord's right, at any time thereafter to terminate Tenant's right to possession and proceed in accordance with Section 10.03 (a) above; or

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the State of Nevada.

**Section 10.04 CUMULATIVE REMEDIES**. Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

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## ARTICLE ELEVEN
## PROTECTION OF LENDERS

**Section 11.01 SUBORDINATION**. Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Premises, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. However, Tenant's right to quiet possession of the Premises during the Lease Term shall not be disturbed if Tenant pays the rent and performs all of Tenant's obligations under this Lease and is not otherwise in default. If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage whether this Lease is dated prior or subsequent to the date of said ground lease, deed of trust or mortgage or the date of recording thereof.

**Section 11.02 ATTORNMENT**. If Landlord's interest in the Premises is acquired by any ground lessor, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Premises and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law, which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest.

**Section 11.03 SIGNING OF DOCUMENTS**. Tenant shall sign and deliver any instruments or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. Such subordination and attornment documents may contain such provisions as are customarily required by any ground lessor, beneficiary under a deed of trust or mortgagee. If Tenant fails to do so within ten (10) days after written request, Tenant hereby makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

**Section 11.04 ESTOPPEL CERTIFICATES**.

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying; (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been canceled or terminated; (iii) that the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other matters as may be reasonably required by Landlord or the holder of a mortgage, deed of trust or lien to which the Premises is or becomes subject. Tenant shall deliver such statement to Landlord within ten (10) days after Landlord's request. Any such statement by Tenant may be given by Landlord to any prospective purchaser or encumbrancer of the Premises. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten (10) day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (I) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been canceled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's

Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

**Section 11.05 TENANT'S FINANCIAL CONDITION**. Within ten (10) days after written request from Landlord, Tenant shall deliver to Landlord such financial statements as are reasonably required by Landlord to verify the assets and liabilities of Tenant, or any assignee, subtenant, or guarantor of Tenant. In addition, Tenant shall deliver to any lender designated by Landlord any financial statements required by such lender to facilitate the financing or refinancing of the Premises. Tenant represents and warrants to Landlord that each such financial statement is a true and accurate statement as of the date of such statement. All financial statements shall be confidential and shall be used only for the purposes set forth herein.

## ARTICLE TWELVE
## LEGAL COSTS

**Section 12.01 LEGAL PROCEEDINGS.**

(a) Tenant shall reimburse Landlord, upon demand, for any costs or expenses incurred by Landlord in connection with any breach or default of Tenant under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees and costs incurred for the negotiation of a settlement, enforcement of rights or otherwise. Furthermore, if any action for breach of or to enforce the provisions of this Lease is commenced, the court in such action shall award to the party in whose favor a judgment is entered, a reasonable sum as attorneys' fees and costs. Such attorneys' fees and costs shall be paid by the losing party in such action.

(b) Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability incurred by Landlord if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant, or by any third party against Tenant, or by or against any person holding any interest under or using the Premises by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in any such claim or action.

**Section 12.02 LANDLORD'S CONSENT**. Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with Tenant's request for Landlord's consent under Article Nine (Assignment and Subletting), or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

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## ARTICLE THIRTEEN
## MISCELLANEOUS PROVISIONS

**Section 13.01 NON-DISCRIMINATION**. Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group of persons on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing transferring, occupancy, tenure or use of the Premises or any portion thereof.

**Section 13.02 INTENTIONALY OMITTED.**

**Section 13.03 LANDLORD'S LIABILITY.**

As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises or the leasehold estate under a ground lease of the Premises at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds previously paid by Tenant if such funds have not yet been applied under the terms of this Lease.

Tenant shall deposit with Landlord a cash security deposit (the "Security Deposit") in the amount of the Initial Security Deposit set forth in Section 1.02 above. Landlord may apply all or part of the Security Deposit to any unpaid Rent or other charges due from Tenant or to cure any other defaults of Tenant. If Landlord uses any part of the Security Deposit, Tenant shall restore the Security Deposit to its full amount within ten (10) days after Landlord's written request. Tenant's failure to do so shall be a material default under this Lease. No interest shall be paid on the Security Deposit. Landlord shall not be required to keep the Security Deposit separate from its other accounts and no trust relationship is created with respect to the Security Deposit. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return the Security Deposit to Tenant, or, at Landlord's option, to Tenant's assignee or sublessee.

**Section 13.04 SEVERABILITY**. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

**Section 13.05 INTERPRETATION**. The captions of the Articles and Sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission.

**Section 13.06 INCORPORATION OF PRIOR AGREEMENTS; MODIFICATIONS**. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other agreements are effective-. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.



LA
DCM

**Section 13.07 NOTICES**. All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to Tenant's Address specified in Section 1.01(b) above, except that upon Tenant's taking possession of the Premises, the Premises shall be Tenant's address for notice purposes. Notices to Landlord shall be delivered to Landlord's Address specified in Section 1.01(a) above. All notices shall be effective upon delivery or attempted delivery in accordance with this Section 13.07. Either party may change its notice address upon written notice to the other party.

**Section 13.08 WAIVERS**. All waivers must be in writing and signed by the waiving party. Landlord's failure to enforcement any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord, and Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

**Section 13.09 NO RECORDATION**. Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "short form" memorandum of this Lease executed by both parties be recorded.

**Section 13.10 BINDING EFFECT; CHOICE OF LAW**. This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. This Lease shall be governed by and construed in accordance with the laws of the State of Nevada and the venue for any proceeding involving the interpretation or performance of this Agreement shall be Clark County.

**Section 13.11 CORPORATE AUTHORITY; PARTNERSHIP AUTHORITY**. Each person signing this Lease on behalf of Tenant represents and warrants that he has full corporate authority to do so and that this Lease binds the corporation. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a certified copy of a resolution of Tenant's Board of Directors authorizing the execution of this Lease or other evidence of such authority reasonably acceptable to Landlord.

**Section 13.12 INTENTIONALLY OMITTED.**

**Section 13.13 FORCE MAJEURE**. If Landlord cannot perform any of its obligations due to events beyond Landlord's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, governmental regulation or restriction and weather conditions.

**Section 13.14 EXECUTION OF LEASE**. This Lease may be executed in counterparts, and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. The delivery of this Lease by Landlord to Tenant shall not be deemed to be an offer and shall not be binding upon either party until executed and delivered by both parties.



DCM

429 **Section 13.15 BROKERS AND LEASING AGENTS**. Landlord represents and warrants to Tenant, and Tenant represents and warrants to Landlord, that no broker, leasing agent or finder has been engaged by it other than Landlord's Broker (if any) specified in Section 1.01(j) and Tenant's Broker (if any) specified in Section 1.01(k), respectively, in connection with any of the transactions contemplated by this Lease, or to its knowledge is in any way connected with any of such transactions. In the event of any claims for brokers' or finders' fees or commissions in connection with the negotiation, execution or consummation of this Lease, Tenant shall indemnify, save harmless and defend Landlord from and against such claims if they shall be based upon any statement or representation or agreement made by Tenant, and Landlord shall indemnify, save harmless and defend Tenant if such claims shall be based upon any statement, representation or agreement made by Landlord.

**Section 13.16 INTENTIONALLY OMITTED**

**Section 13.17 LIENS.** Tenant shall not permit any mechanic's, materialmen's or other liens to be filed against the real property of which the Premises form a part nor against the Tenant's leasehold interest in the Premises. Landlord shall have the right at all reasonable times to post and keep posted on the Premises any notices which it deems necessary for protection from such liens. If any such liens are filed and are not discharged by Tenant by bond or otherwise within ten (10) days after the filing thereof, Landlord may, without waiving its rights and remedies based on such breach of Tenant and without releasing Tenant from any of its obligations, cause such liens to be released by any means it shall deem proper, including payment in satisfaction of the claim giving rise to such lien. Tenant shall pay to Landlord at once, upon notice by Landlord, any sum paid by Landlord to remove such liens, together with interest at the maximum rate per annum permitted by law from the date of such payment by Landlord.

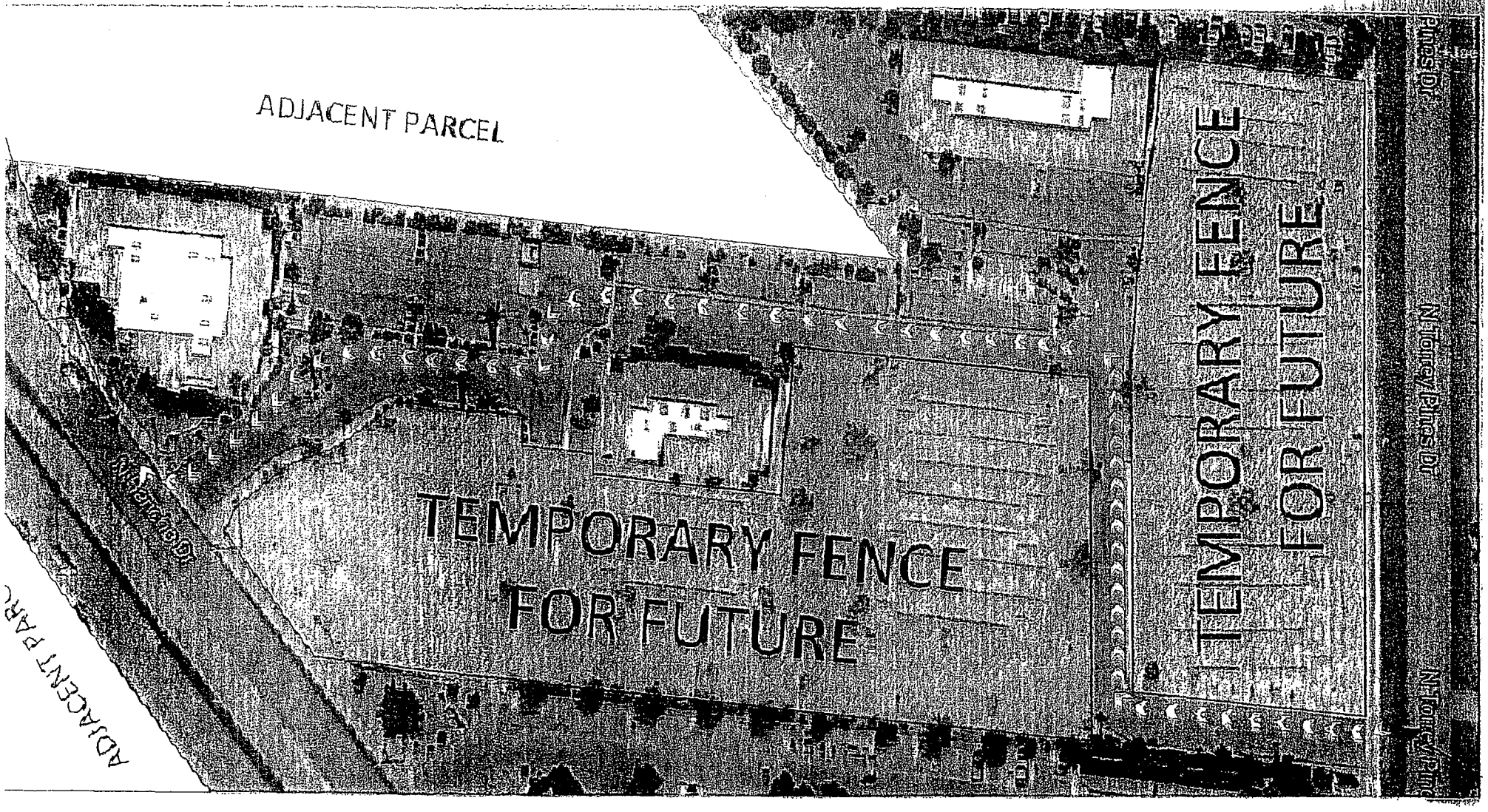
**IN WITNESS WHEREOF**, Landlord and Tenant have signed this Lease in the State of Nevada on the day and year first above written and have initialed all Riders which are attached to or incorporated by reference in this Lease.

Sign: _____ Date: 3/27/2015
Lavar A. Winsor, for
For TOWER DISTRIBUTION CENTER, LLC ("Landlord")

Sign: _____ Date: 3/27/2015
David Olive, President
For QUEST ACADEMY PREPATORY EDUCATION,
A State Funded Charter School

**EXHIBIT "A"**

**MAP OF LEASED "PREMISES" AND "FUTURE BUILDING SITES"**




001 PRELIMINARY SITE PLAN - PHASE I

431

# Appendix Q

# FUTURE - SITE PLAN

## PROJECT DATA

| | | |
|---|---|---|
| A.P.N.: | 138-02-113-001 | |
| EXISTING ZONING: | C-1 & R-E | |
| PROPOSED ZONING: | E | |
| SITE AREA: | 279,552 S.F. (6.41 ACRES) | |
| SETBACKS: | REQUIRED: | PROVIDED: |
| FRONT | 20'-0" | 20'-0" |
| SIDES | 10'-0" | 10'-0" |
| REAR | 20'-0" | 20'-0" |
| BUILDING AREA: | | |
| SCHOOL SPACE | 74,902 S.F. | |
| LOT COVERAGE: | | |
| BUILDING AREAS / SITE AREA | | |
| 74,920 S.F. / 279,552 S.F. = | | 26.8% |
| TOTAL NUMBER OF CLASSROOMS | | 72 |
| PARKING: | REQUIRED: | PROVIDED: |
| 3 PER CLASSROOM | 216 SPACES | 220 SPACES |
| ADA COMPLIANT PARKING | 9 SPACES | 10 SPACES |
| LOADING ZONE | 4 SPACES | 4 SPACES |

SP | FUTURE – Site Plan | 1"=30'

N


Sustain Builders
6440 Sky Pointe Dr #140-487
Las Vegas, NV 89131
Ph (702) 751-5044
Fx (702) 359-0033
www.sustainbuilders.com


Torrey Pines Campus
4624-4660 N. Rancho Dr. Las Vegas, NV 89106

QUEST PREPARATORY ACADEMY

FUTURE
Site Plan

# SITE PLAN

## PROJECT DATA

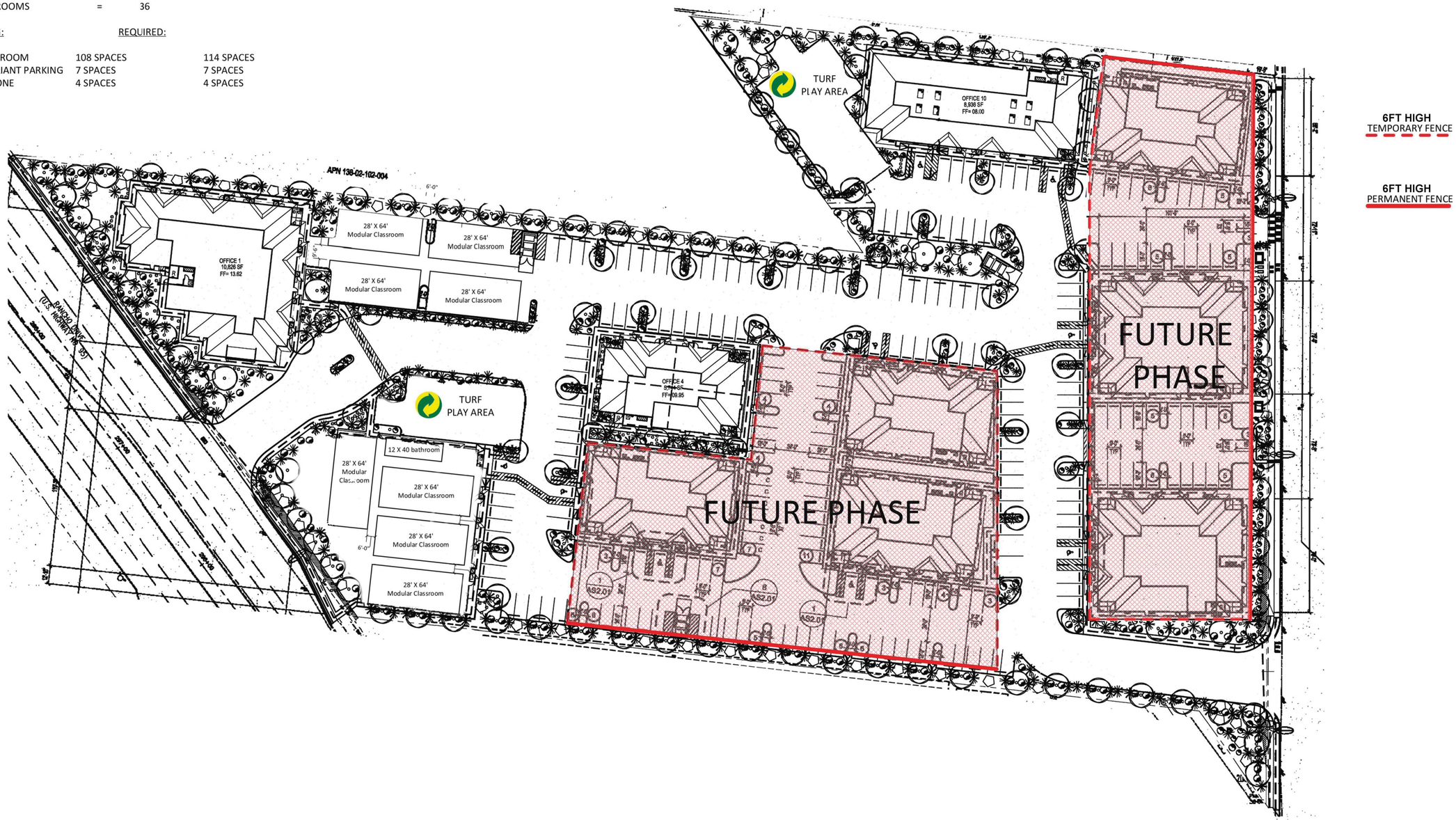
| | | |
|---|---|---|
| A.P.N.: | | 138-02-113-001 |
| EXISTINING ZONING: | | C - 1 & R – E |
| PROPOSED ZONING: | | E |
| SITE AREA: | | 279,552 S.F. (6.41 ACRES) |

| SETBACKS: | REQUIRED: | PROVIDED: |
|---|---|---|
| FRONT | 20' - 0" | 20' - 0" |
| SIDES | 10' - 0" | 10' - 0" |
| REAR | 20' - 0" | 20' - 0" |

PHASE I BUILDING AREA:
PRIMARY SCHOOL 39,842 S.F.

PHASE I LOT COVERAGE:
BUILDING AREAS / SITE AREA
39,842 S.F. / 279,552 S.F. = 14.3%
# OF CLASSROOMS = 36

| PHASE I PARKING: | REQUIRED: | PROVIDED: |
|---|---|---|
| 3 PER CLASSROOM | 108 SPACES | 114 SPACES |
| ADA COMPLIANT PARKING | 7 SPACES | 7 SPACES |
| LOADING ZONE | 4 SPACES | 4 SPACES |




SITE PLAN 1"=30' N


Sustain Builders
NCL #0078779
Sustain Builders
6440 Sky Pointe Dr #140-487
Las Vegas, NV 89131
Ph (702) 751-5044
Fx (702) 359-0033
www.sustainbuilders.com


Torrey Pines Campus
4624-4660 N. Rancho Dr. Las Vegas, NV 89106

QUEST PREPARATORY ACADEMY

Site Plan

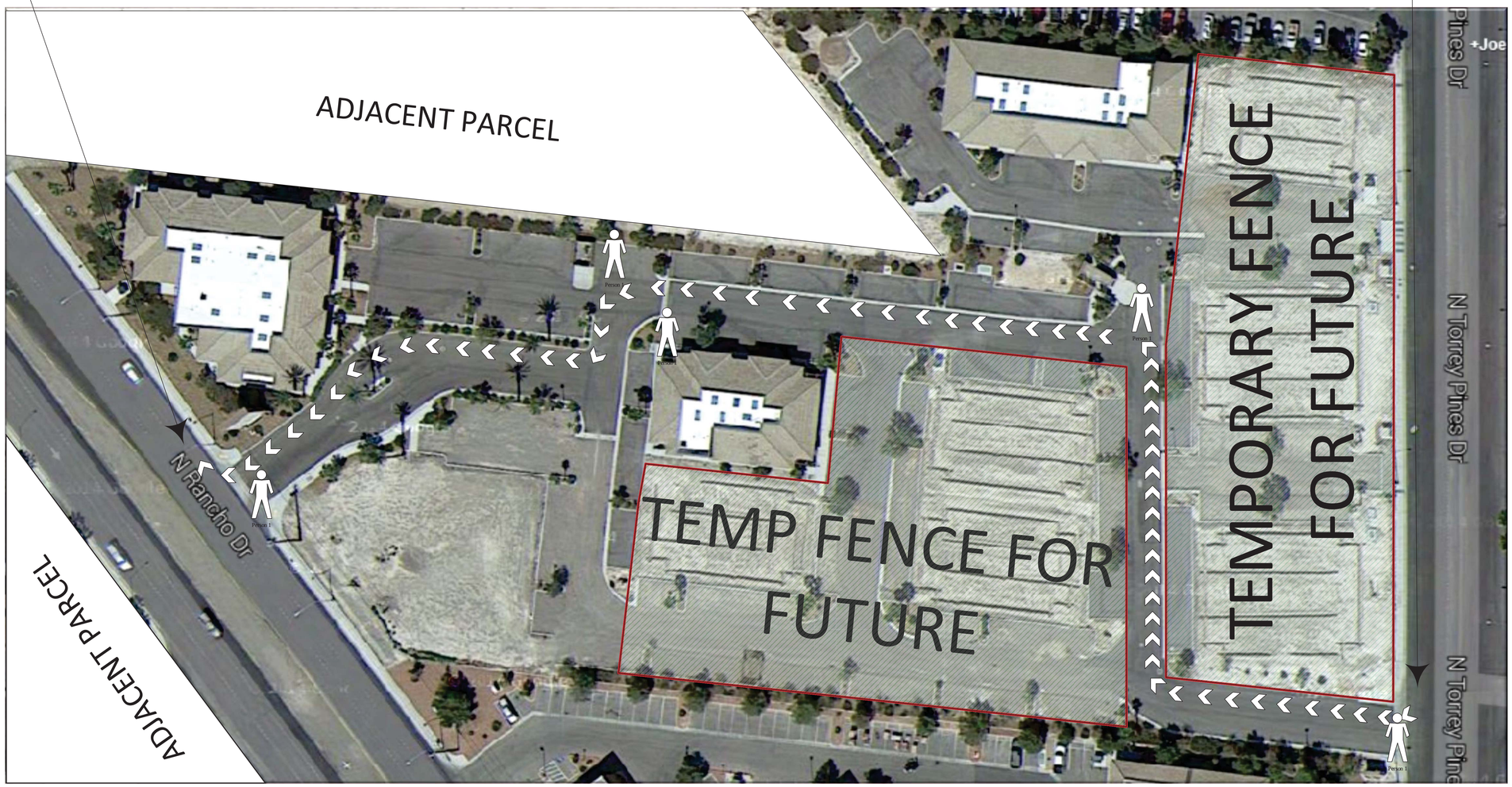
# PICKUP AND DROP OFF PLAN

## EXITING ON RANCHO DR.

- Median to enforce right turn only
- 3 traffic lanes on Rancho

## ENTERING ON TORREY PINES DR.

- Dedicated parking lanes on both sides totaling approximately 2000 LF
- 1 lane in each direction with turning lane




Approximately 4000ft to
Earnes May
Elementary School

AS001 | Phase I - Pickup and Drop Off Plan | 1"=30'

N

Sustain Builders
6440 Sky Pointe Dr #140-487
Las Vegas, NV 89131
Ph (702) 751-5044
Fx (702) 359-0033
www.sustainbuilders.com

Torrey Pines Campus
4624-4660 N. Rancho Dr. Las Vegas, NV 89106

SP001

PICKUP AND DROP OFF

# Appendix R

## QUEST LEASE COST PER CAMPUS

| | | |
|---|---|---|
| Torrey Pines Campus | | As follows: calculated at $3,903 per kindergarten student and $6,505 per other grades student: |
| Enrollment Kinder (78) | $ 304,434.00 | |
| Enrollment other grades (757) | $ 4,924,285.00 | |
| Lease Cost | $ 768,787.68 | |
| | 15% | |
| Roberson | | |
| Enrollment Kinder (0) | 0 | |
| Enrollment other grades (146) | $ 1,359,545.00 | |
| Lease Cost | $ 594,320.40 | |
| | 44% | |
| Bridger | | |
| Enrollment Kinder (41) | $ 160,023.00 | |
| Enrollment other grades (105) | $ 683,025.00 | |
| Lease Cost | $ 516,376.08 | |
| | 61% | |
| Alexander | | |
| Enrollment Kinder (67) | $ 160,023.00 | |
| Enrollment other grades (0) | $ - | |
| Lease Cost | $ 19,828.08 | |
| | 12% | |

# Appendix S

Roberson Campus

# TRIPLE NET REAL ESTATE LEASE

Between

**DYNAMIC PROPERTY HOLDINGS, LLC**

as Landlord

and

**QUEST ACADEMY PREPARATORY EDUCATION**

as Tenant

Dated as of 2/18/, 2014

# TRIPLE NET REAL ESTATE LEASE

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# TRIPLE NET REAL ESTATE LEASE

**THIS TRIPLE NET REAL ESTATE LEASE** (this "Lease") is made as of the 18th day of February, 2014, by and between **DYNAMIC PROPERTY HOLDINGS, LLC**, a Nevada limited liability company ("Landlord") and **QUEST ACADEMY PREPARATORY EDUCATION, a Nevada State Funded Charter School** ("Tenant") (collectively as, "Parties.") This lease and its binding effect upon the aforementioned Parties is subject to the approval of the State Public Charter School Authority for the State of Nevada as a condition precedent, irrespective of the date upon which it is signed by the Parties.

## ARTICLE ONE
## BASIC TERMS

**Section 1.01 DEFINITIONS**. For purposes of this Lease, the following terms shall have the following meanings:

(a) Landlord's Address: **7495 W. Azure Drive, Suite 100, Las Vegas, Nevada 89130 Attention: Tony Winsor.**

(b) Tenant's Address: **7495 W. Azure Drive, Suite 250, Las Vegas, Nevada 89130**

(c) Leased Premises Address: **7485 W. Azure Drive, Suite 100, Las Vegas, Nevada 89130.**

(d) Premises: Approximately **twenty-eight thousand, two hundred twelve (28,212)** rentable square feet of office space in the approximate location of the Building as indicated on Exhibit "A" attached hereto and incorporated herein by this reference.

(e) Building: That certain parcel of real estate as described on Exhibit "B" attached hereto and incorporated herein by this reference and the building and other improvements located thereon; and the common areas and/or landscape and court yard areas benefiting the Building, all of which are commonly known as **7485 W. Azure Drive, Suite 100, Las Vegas, Nevada 89130.**

(f) "Lease Term" shall cumulatively mean the "Construction Lease Term" and the "General Lease Term."

(g) "Construction Lease Term" shall refer to the three month period of time prior to the Commencement Date when the Tenant Improvements are being completed. The dates are anticipated to be **March 1, 2014 through May 31, 2014.**

(h) "General Lease Term" shall mean the **ten (10) years** beginning on the Commencement Date and continuing until **one hundredtwenty (120) months** after the first day of the first full month following the Commencement Date.

(i) Commencement Date: Shall mean the earlier of the date Tenant actually occupies the Premises or **June 1, 2014**, except as delayed pursuant to this Lease.

(j) Permitted Uses: **Charter School and Related Institution.**

(k) Tenant's Guarantor: **Quest Academy, a Nevada State Funded Charter School.**

(l) Landlord's Broker: **None.**

(m) Tenant's Broker: **None.**

(n) Tenant's Rentable Square Feet: **twenty-eight thousand, two hundred twelve (28,212)** square feet (entire Building).

The descriptions of "Tenant's Rentable Square Feet," and "Rentable Square Feet in the Building" are for the purpose of making certain calculations in Article Four. Such figures are approximate only and Landlord makes no representation or warranty of their accuracy.

(o) Rentable Square Feet in the Building: **twenty-eight thousand, two hundred twelve (28,212)** square feet (entire Building).

(p) Tenant's Share: **Twenty-eight thousand, two hundred twelve (28,212)** square feet (entire Building).

(q) Real Property Taxes: Any form of tax, assessment, license fee, license tax, business license fee, commercial rental tax, levy, charge, penalty, tax or similar imposition, imposed by an authority having the direct power to tax (including any city, county, state or federal government, or any school, agricultural, lighting, drainage, transportation, air pollution, environmental or other improvement or special assessment district) as against any legal or equitable interest of Landlord in the Building and/or the Premises.

(r) "Association" shall mean the **Shea at Tenaya Village Owners Association**, which is the Community Association of which the Premises is a part. Attached hereto as Exhibit "A" and incorporated herein by reference is the Bylaws of the Association. Attached hereto as Exhibit "B" is Declaration of Covenants, Conditions, and Restrictions and Reservation of Easements for Shea at Tenaya Village ("CC&Rs"). Tenant agrees that the CC&Rs are made part of this Agreement, that this Lease is subject to those CC&Rs, and agrees to abide by said CC&Rs and all current and future amendments.

(s) Prime Rate: That fluctuating rate of interest announced from time to time by the Commercial Bank of Nevada as its prime or reference commercial lending rate of interest (or in the event such bank is no longer announcing such rate, by such other federally regulated banking institution of comparable stature as Landlord shall reasonably determine).

**Section 1.02(a)** **CONSTRUCTION PERIOD RENT**

The "Construction Rent" shall be determined as follows: Tenant shall pay Landlord **Sixteen Thousand Dollars ($16,000.00) on the first day of each month** for the duration of the "Construction Lease Term" starting **March 1, 2014** and ending **May 31, 2014.** The Construction Rent shall, therefore, total **Forty-Eight Thousand Dollars ($48,000.00)** over the three month construction period. In addition to the "Construction Rent," Tenant shall also pay the "Other Charges Payable by Tenant" outlined in Article 4 of this Lease Agreement.

**Section 1.02(b) BASE RENT.**

The "Base Rent" shall be determined as follows:

(i) During year one of the Lease Term (6/1/2014 to 5/31/2015), the Base Rent shall be equal to Thirty Thousand Dollars ($30,000.00) per month.

(ii) During year two of the Lease Term (6/1/2015 to 5/31/2016), the Base Rent shall be equal to Thirty Thousand Nine Hundred Dollars ($30,900.00) per month.

(iii) During year three of the Lease Term (6/1/2016 to 5/31/2017, the Base Rent shall be equal to Thirty-One Thousand Eight Hundred Twenty-Seven Dollars ($31,827.00) per month.

(iv) During year four of the Lease Term (6/1/2017 to 5/31/2018), the Base Rent shall be equal to Thirty-Two Thousand Seven Hundred Eighty-One and 81/100 Dollars ($32,781.81) per month.

(v) During year five of the Lease Term (6/1/2018 to 5/31/2019), the Base Rent shall be equal to Thirty-Three Thousand Seven Hundred Sixty-Five and 26/100 Dollars ($33,765.26) per month.

(vi) During year six of the Lease Term (6/1/2019 to 5/31/2020), the Base Rent shall be equal to Thirty-Four Thousand Seven Hundred Seventy Eight and 22/100 ($34,778.22) per month.

(vii) During year seven of the Lease Term (6/1/2020 to 5/31/2021), the Base Rent shall be equal to Thirty-Five Thousand Eight Hundred Twenty One and 57/100 ($35,821.57) per month.

(viii) During year eight of the Lease Term (6/1/2021 to 5/31/2022), the Base Rent shall be equal to Thirty-Six Thousand Eight Hundred Ninety-Six and 22/100 Dollars ($36,896.22) per month.

(ix) During year nine of the Lease Term (6/1/2022 to 5/31/2023), the Base Rent shall be equal to Thirty-Eight Thousand Three and 11/100 Dollars ($38,003.11) per month.

(x) During year ten of the Lease Term (6/1/2023 to 5/31/2024), the Base Rent shall be equal to Thirty-Nine Thousand One Hundred Forty-Three and 20/100 Dollars ($39,143.20) per month.

**Section 1.03 RIDERS**. The following Riders are attached to and made a part of this Lease: **Rider No. 1 – Work Letter (Tenant Improvements); Rider No. 2 – Guaranty; and Rider No. 3 – Lease to Purchase Option Agreement.**

**Section 1.04 INTENTIONALLY OMITTED**

**Section 1.05 TENANT IMPROVEMENT**

Tenant agrees to contribute **two hundred thousand dollars ($200,000.00),** towards the tenant improvements outlined herein as **Rider No. 1-Work Letter and Attachments.** Tenant Agrees to present Landlord with Tenant's improvement contribution of $200,000.00 at the time of the signing of this Agreement. Landlord agrees to finance an additional **three hundred**

**thousand dollars ($300,000.00)** at **Zero percent (0%) interest** towards the Tenant Improvements outlined in **Rider No. 1-Work Letter and Attachments.** Tenant agrees to repay Landlord in monthly installments of **Five Thousand Dollars ($5,000.00) per month, due on the first of the month,** beginning on **June 1, 2014** and continuing thereafter for **Sixty (60)** months until paid in full. Tenant's reimbursement of Landlord's $300,000.00 Tenant Improvement funds shall be separate from, and in addition to, the Base Rent paid under Section 1.02.

## ARTICLE TWO
## LEASE TERM AND COMMON BUILDING AREAS

**Section 2.01** **LEASE OF PROPERTY FOR LEASE TERM**. Landlord hereby leases the Premises to Tenant and Tenant leases the Premises from Landlord for the "Lease Term" defined in Section 1.01(f). The "Construction Lease Term" is for the period stated in Section 1.01(g) above and shall begin and end on the dates specified in Section 1.01(g) above, unless the beginning or end of the Construction Lease Term is changed under any provision of this Lease. The "General Lease Term" shall begin and end on the dates specified in Section 1.01(h) above, unless the beginning or end of the General Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.01(i) above unless advanced or delayed under any provision of this Lease.

**Section 2.02** **DELAY IN COMMENCEMENT**.

If, for any reason, Landlord cannot deliver possession of the Premises to Tenant by the date specified in Section 1.01(i), Landlord shall have no liability but as Tenant's sole remedy, the Commencement Date shall be delayed until the date of occupancy by Tenant as long as Landlord delivers possession of the Premises on or before August 1, 2014. In the event occupancy cannot commence by August 1, 2014, this Lease shall be terminated and each party shall be relieved of any obligation owed to the other under this Lease.

**Section 2.03** **HOLDING OVER**. Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify and hold Landlord harmless against all damages, claims, losses, penalties, charges, and expenses (including reasonable attorney's fees) incurred by Landlord resulting from any delay by Tenant in vacating the Premises. If Tenant does not vacate the Premises upon the expiration or earlier termination of this Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a tenancy at will, subject to all of the terms of this Lease applicable to a tenancy at will, except that the Base Rent then in effect shall be equal to two hundred percent (200%) of the Base Rent in effect immediately prior to the expiration or earlier termination of this Lease.

**Section 2.04** **COMMON AREAS**. Landlord grants to Tenant, and Tenant agrees to accept, all rights and obligations held by Landlord, except voting rights, relating to the use of the common areas in the Shea at Tenaya Village Owners Association, as limited by the boundaries of the Premises. The Association, and not the Landlord, shall be responsible for the repair, replacement, and maintenance of all Association property. Tenant shall directly communicate with the Association regarding any matter concerning common areas or other Association responsibility, except that Tenant agrees to inform Landlord of any unresolved issue which could affect the good standing in the Association of Landlord or Tenant.

## ARTICLE THREE

INTENTIONALLY OMITTED

## ARTICLE FOUR
## OTHER CHARGES PAYABLE BY TENANT; INSURANCE

**Section 4.01 ADDITIONAL RENT.**

All charges payable by Tenant hereunder other than "Construction Rent" and "Base Rent" are called "Additional Rent." Unless this Lease provides otherwise, all Additional Rent shall be paid with the next monthly installment of Construction Rent or Base Rent. The Term "Rent" shall mean Construction Rent, Base Rent and Additional Rent.

**Section 4.02 OPERATING COSTS.**

Tenant shall be responsible for directly paying, at Tenant's own expense, all amounts due to the Shea at Tenaya Village Owners Association for assessments, fines, special assessments and any other charges associated with membership in the Association for the period of this lease. Tenant shall communicate directly with the Association for any repairs, maintenance, fines, or other Association related matters. Tenant shall inform Landlord of any matter which could affect Tenant's or Landlord's good standing in the Association. Tenant shall be provided with all governing documents necessary to properly identify what portions of the Common Areas and Premises are the responsibility of the Association. Tenant shall promptly report to Association any defective condition known to Tenant that Association is required to repair.

Tenant, at Tenant's expense, shall perform all repairs and replacements and routine maintenance necessary to properly maintain all portions of the Premises not maintained by the Association. Tenant shall keep all portions of the Premises for which they have responsibility in good repair and proper working condition. If Landlord is forced to performe any repairs, replacement, or maintenance on the Premises due to Tenant's failure to comply with this provision, Tenant shall reimburse Landlord for any and all expenses incurred.

Tenant, at Tenant's own expense, shall be responsible to directly pay, or reimburse Landlord for, any "Real Property Taxes" as defined in Section 1.01(q). Landlord agrees to apply for Tax Exempt status under NRS 361.096 related to charter schools.

**Section 4.03 PERSONAL PROPERTY TAXES.**

(a) Tenant shall pay all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant. Tenant shall use its best efforts to have personal property taxed separately from the Premises.

(b) If any of Tenant's personal property is taxed with the Premises, Tenant shall pay Landlord the taxes for the personal property within fifteen (15) days after Tenant receives a written statement from Landlord for such personal property taxes.

**Section 4.04 UTILITIES.** Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, telephone, water, and other utilities and services supplied to the Premises.

**Section 4.05 INSURANCE.**

(a) Property and Rental Income Insurance. Tenant shall maintain property insurance on the Building and appurtenant structures in such amounts as Landlord may deem necessary or appropriate. Such insurance shall be at the Tenant's expense, shall be **Five Million Dollars ($5,000,000) or what the insurance company estimates is the replacement value of the building, whichever is greater,** and shall name Landlord as an additional insured. Payments for losses thereunder shall be made to Tenant, and Tenant shall use said payments to rebuild the premises to the same specifications as original construction. In addition, Tenant shall obtain and keep in force at all times during the Lease Term, a policy or policies of insurance covering loss or damage to all of the improvements (other than structures), betterments, income and business contents located within the Premises in the amount of the full replacement value thereof as ascertained by the Tenant's insurance carrier against risks of direct physical loss or damage, normally covered in an "all risk - special form" property policy, as such term is used in the insurance industry; however, the Tenant shall have no obligation to insure against the peril of earthquake.

(b) Public Liability Insurance. Tenant shall, at Tenant's expense, maintain a policy of Commercial General Liability insurance insuring Landlord and Tenant against liability arising out of the ownership, use, occupancy or maintenance of the Premises. The initial amount of such insurance shall be at least **One Million Dollars ($1,000,000)**, and shall be subject to periodic increase upon reasonable demand by Landlord based upon inflation, increased liability awards, recommendation of professional insurance advisers, and other relevant factors. However, the limits of such insurance shall not limit Tenant's liability nor relieve Tenant of any obligation hereunder. Landlord shall be named as an additional insured on said policy and such policy shall contain the following provision: "Such insurance as afforded by this policy for the benefit of Landlord shall be primary as respects any claims, losses or liabilities arising out of the use of the Premises by the Tenant or by Tenants operation and any insurance carried by the Landlord shall be excess and noncontributing." The policy shall insure Tenant's performance of the indemnity provisions of Section 5.05.

(c) Insurance Policies. Insurance required to be maintained by Tenant hereunder shall be in companies holding a "General Policyholders' Rating" of "B +" or better and a "financial rating" of 10 or better, as set forth in the most current issue of "Best's Insurance Guide," or a policy underwritten by Lloyd's of London. Tenant shall promptly deliver to Landlord, within thirty (30) days of the Commencement Date, original certificates evidencing the existence and amounts of such insurance. Acceptance of the Tenant's insurance company, considering the rating and financial health of the insurer, is subject to final approval by the Landlord. No such policy shall be cancelable or subject to substantial reduction of coverage except after thirty (30) days prior written notice to Landlord. Tenant shall, within thirty (30) days prior to the expiration, cancellation or reduction of such policies, furnish Landlord with renewals or "binders" thereof. Tenant shall not do or permit to be done anything which shall invalidate the insurance policies required under this Lease.

**Section 4.06 WAIVER OF SUBROGATION**. Tenant and/or Landlord shall obtain from the issuer of the insurance policies referred to in this Article 4 a mutual waiver of subrogation provision in said policies and Tenant and Landlord each hereby release and relieve the other, and waive any and all rights of recovery against the other, or against the employees, officers, agents and representatives of the other, for loss or damage arising out of or incident to the perils insured against under this Article 4 which perils occur in, on or about the Property, whether due to the negligence of Landlord or Tenant or their agents, employees, contractors or invitees. These

waivers of subrogation shall be evidenced by appropriate endorsements to the Tenant's and/or Landlord's policies.

**Section 4.07** **LATE CHARGES**. Tenant acknowledges that Tenant's failure to pay Base Rent or Additional Rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Premises. Therefore, if Landlord does not receive any Rent payment within ten (10) days after it becomes due; Tenant shall pay Landlord a late charge equal to ten percent (10%) of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Rent, the Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding Section 3.01 above.

**Section 4.08** **INTEREST ON PAST DUE OBLIGATIONS**. Any amount owed by Tenant to Landlord which is not paid when due shall bear interest at the rate of (i) fifteen percent (15%) per annum, or (ii) the Prime Rate plus five (5) percentage points per annum, whichever is greater, from the due date of such amount. However, interest shall not be payable on late charges to be paid by Tenant under this Lease. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Lease. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate permitted by law.

**Section 4.09** **RETURN OF CHECK**. If Base Rent or Additional Rent is paid by check and the check is returned to Landlord for any reason whatsoever without payment, Tenant shall be assessed a late charge and interest on past due amount pursuant to Sections 4.07 and 4.08 as well as a Fifty Dollar ($50) fee to cover the charge assessed by the financial institution that returns the check. If payment is returned for insufficient funds, Landlord has the right to demand payment in the form of cashiers or certified check. If Tenant has two (2) or more insufficient funds' payments in a twelve (12) month period, Landlord will have the right to demand all subsequent payments be in the form of a cashiers or certified check.

## ARTICLE FIVE
## USE OF PROPERTY

**Section 5.01** **PERMITTED USES**. Tenant may use the Premises only for the Permitted Uses set forth in Section 1.01(j) above.

**Section 5.02** **MANNER OF USE**. Tenant shall not cause or permit the Premises to be used in any way (i) which constitutes (or would constitute) a violation of any law, ordinance, or governmental regulation or order, or (ii) which annoys or interferes with the rights of tenants or users of the Office Complex, or (iii) which constitutes a nuisance or waste, or (iv) which is prohibited by the CC&R's. Tenant shall comply with all applicable statutes, ordinances, rules, regulations, orders and requirements, now in force or which may hereafter be in force ("Laws") regulating the use, occupancy or alterations by Tenant of the Premises, including the Occupational Safety and Health Act and all Laws relating to toxic and hazardous wastes and

environmental protection. Landlord is responsible to secure all zoning permits for the Premises, and the further suitability of the Premises for Tenant's intended use.

**Section 5.03 HAZARDOUS SUBSTANCES.**

(a) Hazardous Substances. The term "Hazardous Substances", as used in this Lease, shall include, without limitation, flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum and petroleum products, and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority. However, reasonable exception will be made for substances which otherwise might be deemed "Hazardous Substances" when stored and used properly in the educational setting such as in chemistry, science or other related classroom settings.

(b) Tenant's Restrictions. Tenant shall not cause or permit to occur:

(1) 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 Premises, or arising from Tenant's use or occupancy of the Premises, including, but not limited to, soil and ground water conditions; or

(2) The use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substances on, under, or about the Premises, or the transportation to or from the Premises of any Hazardous Substance, except as specifically disclosed on a schedule attached to this Lease.

(c) Environmental Clean-up.

(1) Tenant shall, at Tenant's own expense, comply with all laws regulating the use, generation, storage, transportation, or disposal of Hazardous Substances ("Hazardous Substances Laws").

(2) Tenant shall, at Tenant's own expense, make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities (the "Authorities") under the Hazardous Substances Laws.

(3) Should any Authority or any third party demand that a clean-up plan be prepared and that a clean-up be undertaken because of any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Lease, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, then Tenant shall, at Tenant's own expense, prepare and submit the required plans and all related bonds and other financial assurances; and Tenant shall carry out-all such clean-up plans.

(4) Tenant shall promptly provide all information regarding the use, generation, storage, transportation, or disposal of Hazardous Substances that is requested by Landlord. If Tenant fails to fulfill any duty imposed under this Paragraph (c) within a reasonable time, Landlord may do so; and in such case, Tenant shall cooperate with Landlord in order to prepare all documents Landlord deems necessary or appropriate to determine the applicability of the Laws to the Premises and Tenant's use thereof, and for compliance therewith, and Tenant shall execute all

documents promptly upon Landlord's request. No such action by Landlord and no attempt made by Landlord to mitigate damages under any Law shall constitute a waiver of any of Tenant's obligations under this Paragraph (c).

(5) Tenant's obligations and liabilities under this Paragraph (c) shall survive the expiration of this Lease.

(d) Tenant's Indemnity.

(1) Tenant shall indemnify, defend, and hold harmless Landlord, the manager of the property, and their respective officers, directors, beneficiaries, shareholders, partners, agents, and employees from all fines, suits, procedures, claims and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Lease, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, or from Tenant's failure to provide all information, make all submissions, and take all steps required by all Authorities under the Hazardous Substances Laws and all other environmental laws.

(2) Landlord, the manager of the property, and their respective officers, directors, beneficiaries, shareholders, partners, agents, and employees (collectively, "Landlord") shall indemnify, defend, and hold harmless Tenant, from all fines, suits, procedures, claims and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Lease, at or from the Premises, or which arises at any time from Landlord's use or occupancy of the Premises, or from Landord's failure to provide all information, make all submissions, and take all steps required by all Authorities under the Hazardous Substances Laws and all other environmental laws.

(3) Landlord's and Tenant's obligations and liabilities under this Paragraph (d) shall survive the expiration of this Lease.

**Section 5.04 INTENTIONALLY OMITTED**

**Section 5.05 INDEMNITY**. Tenant shall indemnify and hold harmless Landlord and all agents, servants and employees of Landlord from and against all claims, losses, damages, expenses (including reasonable attorneys' fees), penalties and charges arising from or in connection with (i) Tenant's use of the Premises during the Lease Term or pursuant to the License (as defined in Section 13.18), or (ii) from the conduct of Tenant's business, or (iii) from any activity, work or things done, permitted or suffered by Tenant in or about the Premises during the Lease Term or pursuant to the License. Tenant shall further indemnify and hold harmless Landlord from and against any and all claims, loss, damage, expense (including reasonable attorneys' fees), penalty or charge arising from any default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any negligence of Tenant, or any of Tenant's agents, contractors, or employees, and from and against all costs, attorneys' fees, expenses and liabilities incurred-in the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding were brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal

counsel reasonably satisfactory to Landlord. Tenant, as a material part of its consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in or upon the Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord. Notwithstanding the foregoing, Tenant shall not be required to defend, save harmless or indemnify Landlord from any liability for injury, loss, accident or damage to any person or property resulting from Landlord's own negligence or willful acts or omissions, or those of Landlord's officers, agents, contractors or employees. Tenant's indemnity is not intended to nor shall it relieve any insurance carrier of its obligations under policies required to be carried by Tenant pursuant to the provisions of this Lease to the extent that such policies cover the results of negligent acts or omissions of Landlord, its officers, agents, contractors or employees, or the failure of Landlord to perform any of its obligations under this Lease. Landlord shall indemnify and hold harmless or indemnify Tenant from any liability for injury, loss, accident or damage to any person or property resulting from Landlord's own negligence or willful acts or omissions, or those of Landlord's officers, agents, contractors or employees.

**Section 5.06** **LANDLORD'S ACCESS**. Landlord or its agents may enter the Premises at all reasonable times for repairs and any other purpose Landlord deems necessary. Landlord shall give Tenant prior notice of such entry, except in the case of an emergency. Landlord understands and agrees that Tenant's intended use of the Building and Premises is for a charter school. As a result, Landlord agrees to use its best efforts to schedule any entrance upon the Premises to times when school is not in session, when students are not present, or when such entry would produce the least possible disruption to students, class schedules and other school events. Tenant shall provide Landlord with copies of all keys to the Premises, except for cabinets or other strong box(es) where confidential documents are stored.

**Section 5.07** **QUIET POSSESSION**. If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Premises for the full Lease Term, subject to the provisions of this Lease and the Declaration.

## ARTICLE SIX
## CONDITION OF PROPERTY; MAINTENANCE, REPAIRS AND ALTERATIONS

**Section 6.01** **INTENTIONALLY OMITTED**

**Section 6.02** **INTENTIONALLY OMITTED**

**Section 6.03** **INTENTIONALLY OMITTED**

**Section 6.04** **TENANT'S OBLIGATIONS**.

(a) Tenant shall, at Tenant's sole cost and expense, keep all portions of the Premises in good order, condition and repair, including, without limitation, all components of the electrical, mechanical, plumbing, heating and air conditioning systems which serve the Premises and all other items not specifically set forth as Landlord's responsibility in Section 6.03. If any portion of the Premises or any system or equipment in the Premises which Tenant is obligated to repair cannot be fully repaired, Tenant shall promptly replace such portion of or system or equipment in the Premises, regardless of whether the benefit of such replacement extends beyond the Lease Term.

(b) If Tenant fails to maintain or repair the Premises as required by this Section 6.04, Landlord may, upon ten (10) days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Premises (subject to the provisions of Section 5.06 hereof) and perform such maintenance or repair on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs incurred in performing such maintenance or repair, and for reasonable costs not to exceed a 5% surcharge for Landlord's supervision, immediately upon demand.

**Section 6.05 ALTERATIONS; ADDITIONS AND IMPROVEMENTS.**

(a) Tenant shall not make any alterations, additions, or improvements to the Premises without Landlord's prior written consent, which will not be unreasonably withheld. Tenant shall deliver to Landlord, for Landlord's approval prior to any construction, a complete set of plans and specifications for the proposed alterations, additions or improvements, copies of contracts with general contractors, evidence of contractor's insurance and bonds, and all necessary permits for such construction. Landlord may require Tenant to provide demolition and/or lien and completion bonds in form and amount satisfactory to Landlord. Tenant shall promptly remove any alterations, additions, or improvements constructed in violation of this Section 6.05(a) upon Landlord's written request. All alterations, additions, and improvements will be accomplished in a good and workmanlike manner, in conformity with all-applicable laws and regulations, and by a contractor approved by Landlord. Landlord's approval of the plans, specifications and working drawings for Tenant's alterations shall create no responsibility for liability on the part of Landlord for their completeness, design, sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts, and proof of payment for all labor and materials.

(b) Tenant shall pay when due all claims for labor and material furnished to the Premises. Tenant shall give Landlord at least ten (10) days' prior written notice of the commencement of any work on the Premises. Landlord may elect to record and post notices of non-responsibility on the Premises.

**Section 6.06 CONDITION UPON TERMINATION.** Upon the termination of this Lease, Tenant shall surrender the Premises to Landlord, broom clean and in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. All alterations, additions and improvements which Landlord has not required Tenant to remove shall become Landlord's property and shall be surrendered to Landlord upon the termination of the Lease, except that Tenant may remove any of Tenant's machinery or equipment which can be removed without material damage to the Premises. Tenant shall repair, at Tenant's expense; any damage to the Premises caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment without Landlord's prior written consent: any power wiring or power panels; lighting or lighting fixtures; wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters, air conditioners or any other heating or air conditioning equipment; fencing or security gates; or other similar building operating equipment and decorations.

## ARTICLE SEVEN
## DAMAGE OR DESTRUCTION

**Section 7.01** **PARTIAL DAMAGE TO PROPERTY**. Tenant shall notify Landlord in writing immediately upon the occurrence of any damage to the Premises. If the Premises is only partially damaged and if the proceeds received by Landlord from the insurance policies described in Section 4.05(a) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage as soon as reasonably possible. Landlord may elect to repair any damage to Tenant's fixtures, equipment, or improvements but shall be under no obligation to do so. If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Section 4.05(a), Landlord may elect either to (a) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (b) terminate this Lease as of the date the damage occurred. If Landlord elects to repair the damage, Tenant shall pay to Landlord the deductible amount (if any) under Landlord's insurance policies, and, if damage was due to an act or omission of Tenant, the difference between the actual cost of repair and any insurance proceeds received by Landlord. Landlord shall notify Tenant within thirty (30) days after receipt of notice of the occurrence of the damage, whether Landlord elects to repair the damage or terminate this Lease. If the damage to the Premises occurs during the last six (6) months of the Lease Term, Landlord may elect to terminate this Lease as of the date the damage occurred, regardless of the sufficiency of any insurance proceeds. In such event, Landlord shall not be obligated to repair or restore the Premises and Tenant shall have no right to continue this Lease. Landlord shall notify Tenant of its election within thirty (30) days after receipt of notice of the occurrence of the damage.

**Section 7.02** **TOTAL OR SUBSTANTIAL DESTRUCTION**. If the Premises or the Building is totally or substantially destroyed by any cause other than Tenant's own negligence, this lease will be terminated as of the date the destruction occurred regardless of receipt of insurance proceeds by Landlord or Tenant. If the destruction was caused by an act or omission of Tenant, and the Building can be rebuilt within one (1) year after the date of destruction, Landlord may elect to rebuild the Premises at Landlord's own expense, in which case, this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within thirty (30) days after the occurrence of total or substantial destruction. If the destruction was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

**Section 7.03** **REDUCTION OF RENT**. If the Premises is destroyed or damaged and Landlord or Tenant repairs or restores the Premises pursuant to the provisions of this Article Seven, any Rent payable during the period of such damage, repair and/or restoration shall be reduced according to the degree, if any, to which Tenant's use of the Premises is impaired as of the date of the casualty. Except for such possible reduction in Rent, Tenant shall not be entitled to any compensation, reduction, or reimbursement from Landlord as a result of any damage, destruction, repair, or restoration of or to the Premises. In the event this Lease is terminated pursuant to this Article Seven, all obligations of Tenant to pay Rent shall abate as of the date of the casualty.

**Section 7.04** **WAIVER**. Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial destruction of the leased property. Tenant agrees that the provisions of this Article Seven above shall govern the rights and obligations of Landlord and Tenant in the event of any casualty to the Premises.

## ARTICLE EIGHT
## CONDEMNATION

**Section 8.01 CONDEMNATION**. If the whole or substantially the whole of the Building or the Premises should be taken for any public or quasi-public use, by right of eminent domain or otherwise or should be sold in lieu of condemnation, then this Lease shall terminate as of the date when physical possession of the Building or the Premises is taken by the condemning authority. If less than the whole or substantially the whole of the Building or the Premises is thus taken or sold, Landlord (whether or not the Premises are affected thereby) may terminate this Lease by giving written notice thereof; in which event this Lease shall terminate as of the date when physical possession of such portion of the Building or Premises is taken by the condemning authority. If the Lease is not so terminated upon any such taking or sale, the Rent payable hereunder shall be diminished by an equitable amount, and Landlord shall, to the extent Landlord deems feasible, restore the Building and the Premises to substantially their former condition, but such work shall not exceed the scope of the work done by Landlord in originally constructing the Building and installing Building Standard Improvements in the Premises, nor shall Landlord in any event be required to spend for such work an amount in excess of the amount received by Landlord as compensation for such taking. All amounts awarded upon a taking of any part or all of the Building or the Premises shall belong to Landlord, and Tenant shall not be entitled to and expressly waives all claims to any such compensation.

## ARTICLE NINE
## ASSIGNMENT AND SUBLETTING

**Section 9.01 LANDLORD'S CONSENT REQUIRED**. No portion of the Premises or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by assignment, mortgage, sublease, transfer, operation of law, or act of Tenant, without Landlord's prior written consent, which will not be unreasonably withheld. Any attempted transfer without consent shall be void and shall constitute a non-curable breach of this Lease. If Tenant is a partnership, any cumulative transfer of more than twenty percent (20%) of the partnership interests shall require Landlord's consent. If Tenant is a corporation or other legal entity, any change in a controlling interest of the voting stock or other ownership interests of such corporation or other legal entity shall require Landlord's consent.

**Section 9.02 LANDLORD'S ELECTION**. Tenant's request for consent to any transfer described in Section 9.01 above shall be accompanied by a written statement setting forth the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of and rent and security deposit payable under any assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right in Landlord's sole discretion (a) to withhold consent; (b) to grant consent; or (c) if the transfer is a sublease of the Premises or an assignment of this Lease, to terminate this Lease as of the effective date of such sublease or assignment, in which case Landlord may elect to enter into a direct lease with the proposed assignee or subtenant.

**Section 9.03 NO RELEASE OF TENANT**. No transfer consented to by Landlord, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Upon the occurrence of any default under this Lease, Landlord may proceed directly against Tenant without the necessity of exhausting any remedies against any subtenant or assignee. Any permitted assignee or sub-tenant shall, at Landlord's option, attorney to Landlord and shall pay all Rent directly to Landlord. Landlord's acceptance of Rent from any other person shall not constitute a waiver of any provision of this Article Nine. Consent to one transfer shall not constitute a consent to any subsequent transfer. If Tenants transferee defaults

under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant of its liability under this Lease.

**Section 9.04 NO MERGER**. No merger shall result from Tenant's sublease of the Premises under this Article Nine, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all Subtenancies or succeed to the interest of Tenant as sublandlord thereunder.

## ARTICLE TEN
## DEFAULTS; REMEDIES

**Section 10.01 COVENANTS AND CONDITIONS**. Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

**Section 10.02 DEFAULTS**. Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Premises or if Tenant vacates the Premises for thirty (30) consecutive days;

(b) If Tenant fails to pay Rent or any other charge required to be paid by Tenant, as and when due;

(c) If Tenant fails to perform any of Tenant's nonmonetary obligations under this Lease for a period of ten (10) days after written notice from Landlord; provided that if more than ten (10) days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within such ten (10) day period and thereafter diligently pursues its completion;

(d) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within thirty (30) days; (ii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or (iv) if substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within thirty (30) days. If a court of competent jurisdiction determines that any of the acts described in this subsection (d) is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive, as Additional Rent, the difference between the rent (or any other consideration) paid in connection with such assignment or sublease and the rent payable by Tenant hereunder;

(e) Any representation or warranty made by Tenant or by a subtenant or assignee in connection with this Lease shall have been false or misleading as of the date such representation or warranty was made; or

(f) If Tenant fails to take substantial occupancy of the Premises within a reasonable time after the Commencement Date.

**Section 10.03 REMEDIES**. On the occurrence of any default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including without limitation (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which had been earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which would have been earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which would have been paid for the balance of the Lease term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Landlord in maintaining or preserving the Premises after such default, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises, Landlord's reasonable attorneys' fees incurred in connection therewith, and any real estate commission paid or payable. As used in subparts (I) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of fifteen percent, or such lesser amount as may then be the maximum lawful rate, accruing the date such payments are due until paid. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent( 1%);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover Rent as it becomes due hereunder. Landlord's election to maintain Tenant's right to possession shall not prejudice Landlord's right, at any time thereafter to terminate Tenant's right to possession and proceed in accordance with Section 10.03 (a) above; or

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the State of Nevada.

**Section 10.04 CUMULATIVE REMEDIES**. Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

## ARTICLE ELEVEN
## PROTECTION OF LENDERS

**Section 11.01 SUBORDINATION**. Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Premises, any advances made on

the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. However, Tenant's right to quiet possession of the Premises during the Lease Term shall not be disturbed if Tenant pays the rent and performs all of Tenant's obligations under this Lease and is not otherwise in default. If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage whether this Lease is dated prior or subsequent to the date of said ground lease, deed of trust or mortgage or the date of recording thereof.

**Section 11.02** **ATTORNMENT**. If Landlord's interest in the Premises is acquired by any ground lessor, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Premises and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law, which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest.

**Section 11.03** **SIGNING OF DOCUMENTS**. Tenant shall sign and deliver any instruments or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. Such subordination and attornment documents may contain such provisions as are customarily required by any ground lessor, beneficiary under a deed of trust or mortgagee. If Tenant fails to do so within ten (10) days after written request, Tenant hereby makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

**Section 11.04** **ESTOPPEL CERTIFICATES**.

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying; (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been canceled or terminated; (iii) that the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other matters as may be reasonably required by Landlord or the holder of a mortgage, deed of trust or lien to which the Premises is or becomes subject. Tenant shall deliver such statement to Landlord within ten (10) days after Landlord's request. Any such statement by Tenant may be given by Landlord to any prospective purchaser or encumbrancer of the Premises. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten (10) day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (I) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been canceled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

**Section 11.05** **TENANT'S FINANCIAL CONDITION**. Within ten (10) days after written request from Landlord, Tenant shall deliver to Landlord such financial statements as are reasonably required by Landlord to verify the assets and liabilities of Tenant, or any assignee, subtenant, or guarantor of Tenant. In addition, Tenant shall deliver to any lender designated by

Landlord any financial statements required by such lender to facilitate the financing or refinancing of the Premises. Tenant represents and warrants to Landlord that each such financial statement is a true and accurate statement as of the date of such statement. All financial statements shall be confidential and shall be used only for the purposes set forth herein.

## ARTICLE TWELVE
## LEGAL COSTS

**Section 12.01 LEGAL PROCEEDINGS.**
(a) Tenant shall reimburse Landlord, upon demand, for any costs or expenses incurred by Landlord in connection with any breach or default of Tenant under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees and costs incurred for the negotiation of a settlement, enforcement of rights or otherwise. Furthermore, if any action for breach of or to enforce the provisions of this Lease is commenced, the court in such action shall award to the party in whose favor a judgment is entered, a reasonable sum as attorneys' fees and costs. Such attorneys' fees and costs shall be paid by the losing party in such action.

(b) Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability incurred by Landlord if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant, or by any third party against Tenant, or by or against any person holding any interest under or using the Premises by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in any such claim or action.

**Section 12.02 LANDLORD'S CONSENT.** Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with Tenant's request for Landlord's consent under Article Nine (Assignment and Subletting), or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

## ARTICLE THIRTEEN
## MISCELLANEOUS PROVISIONS

**Section 13.01 NON-DISCRIMINATION.** Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group of persons on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing transferring, occupancy, tenure or use of the Premises or any portion thereof.

**Section 13.02 INTENTIONALY OMITTED.**

**Section 13.03 LANDLORD'S LIABILITY.**

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises or the leasehold estate under a ground lease of the Premises at the time in

question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds previously paid by Tenant if such funds have not yet been applied under the terms of this Lease.

**Section 13.04 SEVERABILITY**. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

**Section 13.05 INTERPRETATION**. The captions of the Articles and Sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission.

**Section 13.06 INCORPORATION OF PRIOR AGREEMENTS; MODIFICATIONS**. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other agreements are effective-. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

**Section 13.07 NOTICES**. All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to Tenant's Address specified in Section 1.01(b) above, except that upon Tenant's taking possession of the Premises, the Premises shall be Tenant's address for notice purposes. Notices to Landlord shall be delivered to Landlord's Address specified in Section 1.01(a) above. All notices shall be effective upon delivery or attempted delivery in accordance with this Section 13.07. Either party may change its notice address upon written notice to the other party.

**Section 13.08 WAIVERS**. All waivers must be in writing and signed by the waiving party. Landlord's failure to enforcement any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord, and Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

**Section 13.09 NO RECORDATION**. Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "short form" memorandum of this Lease executed by both parties be recorded.

**Section 13.10 BINDING EFFECT; CHOICE OF LAW**. This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. This Lease shall be governed by and

construed in accordance with the laws of the State of Nevada and the venue for any proceeding involving the interpretation or performance of this Agreement shall be Clark County.

**Section 13.11** **CORPORATE AUTHORITY; PARTNERSHIP AUTHORITY**. Each person signing this Lease on behalf of Tenant represents and warrants that he has full corporate authority to do so and that this Lease binds the corporation. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a certified copy of a resolution of Tenant's Board of Directors authorizing the execution of this Lease or other evidence of such authority reasonably acceptable to Landlord.

**Section 13.12** **JOINT AND SEVERAL LIABILITY**. All parties signing this Lease as Tenant shall be jointly and severally liable for all obligations of Tenant.

**Section 13.13** **FORCE MAJEURE**. If Landlord cannot perform any of its obligations due to events beyond Landlord's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, governmental regulation or restriction and weather conditions.

**Section 13.14** **EXECUTION OF LEASE**. This Lease may be executed in counterparts, and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. The delivery of this Lease by Landlord to Tenant shall not be deemed to be an offer and shall not be binding upon either party until executed and delivered by both parties.

**Section 13.15** **BROKERS AND LEASING AGENTS**. Landlord represents and warrants to Tenant, and Tenant represents and warrants to Landlord, that no broker, leasing agent or finder has been engaged by it other than Landlord's Broker (if any) specified in Section 1.01(j) and Tenant's Broker (if any) specified in Section 1.01(k), respectively, in connection with any of the transactions contemplated by this Lease, or to its knowledge is in any way connected with any of such transactions. In the event of any claims for brokers' or finders' fees or commissions in connection with the negotiation, execution or consummation of this Lease, Tenant shall indemnify, save harmless and defend Landlord from and against such claims if they shall be based upon any statement or representation or agreement made by Tenant, and Landlord shall indemnify, save harmless and defend Tenant if such claims shall be based upon any statement, representation or agreement made by Landlord.

**Section 13.16 INTENTIONALLY OMITTED**

**Section 13.17 LIENS.** Tenant shall not permit any mechanic's, materialmen's or other liens to be filed against the real property of which the Premises form a part nor against the Tenant's leasehold interest in the Premises. Landlord shall have the right at all reasonable times to post and keep posted on the Premises any notices which it deems necessary for protection from such liens. If any such liens are filed and are not discharged by Tenant by bond or otherwise within ten (10) days after the filing thereof, Landlord may, without waiving its rights and remedies based on such breach of Tenant and without releasing Tenant from any of its obligations, cause such liens to be released by any means it shall deem proper, including payment in satisfaction of the claim giving rise to such lien. Tenant shall pay to Landlord at once, upon notice by Landlord, any sum paid by Landlord to remove such liens, together with interest at the maximum rate per annum permitted by law from the date of such payment by Landlord.

**IN WITNESS WHEREOF**, Landlord and Tenant have signed this Lease in the State of Nevada on the day and year first above written and have initialled all Riders which are attached to or incorporated by reference in this Lease.

Sign: _____ Date: 2/18/14
Lavar A. Winsor, Member
For DYNAMIC PROPERTY
HOLDINGS, LLC ("Landlord")

Sign: _____ Date: 2/18/14
David Olive, President
For QUEST ACADEMY PREPATORY EDUCATION,
A State Funded Charter School

**EXHIBIT "A"**

**BYLAWS OF**

**SHEA AT TENAYA VILLAGE OWNERS ASSOCIATION**

# EXHIBIT "B"

# DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS

# AND RESERVATION OF EASEMENTS

# FOR

# SHEA AT TENAYA VILLAGE

## RIDER NO. 1 - WORK LETTER

**This Rider No. 1** is attached to and made part of that certain lease dated Feb. 18, 2014 between **DYNAMIC PROPERTY HOLDINGS, LLC** as Landlord, and **QUEST ACADEMY PREPARATORY EDUCATION, A Nevada State Funded Charter School,** as Tenant, (the "Lease"). The terms used in this Rider shall have the same definitions as set forth in the Lease. The provisions of this Rider shall prevail over any inconsistent or conflicting provision of the Lease.

R-1. Description of Improvements. Subject to Section R-4 of this Work Letter, Landlord shall, **at Tenant's expense**, construct certain improvements on or about the Premises (the "Work") in accordance with those plans and specifications attached hereto as Schedule 1 and incorporated herein by this reference. Tenant hereby approves the plans and specifications attached as Schedule 1.

R-2. Preliminary Plans. If the plans and specifications referenced in Schedule 1 are final plans and specifications, such final plans and specifications are hereinafter referred to as the "Final Plans" and the remainder of this Paragraph shall be inoperative. If the plans and specifications referenced in Schedule 1 are preliminary plans, Landlord shall prepare final working drawings and outlined specifications for the Work and submit such plans and specifications to Tenant for its approval as soon as reasonably possible after execution of the Lease. Tenant shall approve or disapprove such drawings and specifications within ten (10) days after receipt from Landlord. Tenant shall have the right to disapprove such drawings and specifications only if they materially differ from the plans and specifications attached hereto. If Tenant disapproves such drawings and specifications, Landlord and Tenant shall promptly meet in an attempt to resolve any dispute regarding such drawings and specifications. If the parties are unable to agree upon the final working drawings and specifications for the Work within ten (10) days, Landlord may, at Landlord's option, either (1) terminate this Lease upon ten (10) days' prior written notice to Tenant, in which case neither Landlord nor Tenant shall have further liability to the other, or (2) submit the matter to conclusive and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

R-3. Completion of Work and Commencement Date. Landlord and Tenant agree that in no event shall the Commencement Date be prior to the earlier of (i) substantial completion of the Work by Landlord or (ii) the date upon which Tenant takes possession of or commences the operation of its business in the Premises. The Work shall be deemed substantially complete when (i) Landlord has provided reasonable access to the Premises; (ii) Landlord has substantially completed the Work other than details of construction which do not materially interfere with Tenant's use of the Premises and (iii) Landlord shall have obtained a permanent or temporary certificate of occupancy for the Premises. Notwithstanding the foregoing, if Landlord is delayed in substantially completing the Work as a result of: (i) Tenant's changes to the Plans or (ii) any delay caused by Tenant, then the Lease Term shall nevertheless commence on the date it would have commenced had the delay not occurred.

R-4. Changes. Landlord's obligation to prepare the Property for Tenant's occupancy is limited to the completion of the Work set forth in the plans and specifications attached hereto as Schedule 1 or in the Final Plans. Landlord shall not be required to furnish, construct or install any items not shown thereon. If Tenant, however, requests in writing any change, addition or

alteration ("Changes") in such plans and specifications or in the construction of the Work, Landlord shall notify Tenant of the cost to perform the change and Tenant and Landlord shall mutually agree upon the amount to be paid by the Tenant for the change before Landlord shall perform the change. Any delay caused by Tenant's request for any Changes or from the construction of any Changes shall not, in any event, delay the Commencement Date, which shall occur on the date it would have occurred but for such Changes. The Work shall be the property of Landlord and shall remain upon and be surrendered with the Property upon the expiration of the Lease Term.

R-5. Tenant's Representative. Tenant has designated **David Olive** as its sole representative with respect to the matters set forth in this Rider, who shall have full authority and responsibility to act on behalf of the Tenant as required in this Rider.

R-6. Landlord's Representative. Landlord has designated **Lavar A. Winsor** as its sole representative with respect to the matters set forth in this Rider, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Rider.

R-7. Funding of Tenant Improvement. Tenant agrees to contribute **two hundred thousand dollars ($200,000.00),** towards the tenant improvements outlined herein. Tenant Agrees to present Landlord with Tenant's improvement contribution of $200,000.00 at the time of the signing of this Agreement. Landlord agrees to finance an additional **three hundred thousand dollars ($300,000.00)** at **Zero percent (0%) interest** towards the Tenant Improvements outlined herein. Tenant agrees to repay Landlord in monthly installments of **Five Thousand Dollars ($5,000.00) per month, due on the first of the month,** beginning on **June 1, 2014** and continuing thereafter for **Sixty (60)** months until paid in full. Tenant's reimbursement of Landlord's $300,000.00 Tenant Improvement funds shall be separate from, and in addition to, the Base Rent paid under Section 1.02.

R-8. Construction Rent. The "Construction Rent" shall be determined as follows: Tenant shall pay Landlord **Sixteen Thousand Dollars ($16,000.00) on the first day of each month** for the duration of the "Construction Lease Term" starting **March 1, 2014** and ending **May 31, 2014.** The Construction Rent shall, therefore, total **Forty-Eight Thousand Dollars ($48,000.00)** over the three month construction period. In addition to the "Construction Rent", Tenant shall also pay the "Other Charges Payable by Tenant" outlined in Article 4 of the Lease Agreement.

Sign: _____ Date: 2/18/14
Lavar A. Winsor, Member
For **DYNAMIC PROPERTY HOLDINGS, LLC**

Sign: _____ Date: 2/18/14
David Olive, President
For **QUEST ACADEMY PREPARATORY EDUCATION, A Nevada State Funded Charter School**

# SCHEDULE I
# TO
# WORK LETTER
# PRELIMINARY PLANS

## RIDER NO. 2 – GUARANTY

The undersigned ("Guarantor") as a material inducement to and in consideration of the execution by **DYNAMIC PROPERTY HOLDINGS, LLC** ("Landlord") of that certain Real Estate Lease (the "Lease") of even date herewith between Landlord and **QUEST ACADEMY PREPARATORY EDUCATION, A Nevada State Funded Charter School** ("Tenant"), relating to the premises located at 7485 Azure Drive, Suite 100, Las Vegas, Nevada 89130 hereby agrees as follows:

1. Guarantor hereby unconditionally guarantees the performance of, and unconditionally promises to perform, all of the obligations of Tenant under the Lease and any and all extensions and modifications thereof, including, but not limited to, the obligation to pay rent thereunder.

2. In such manner, upon such terms and at such times as Landlord shall deem best, and without notice to or the consent of Guarantor, Landlord may alter, compromise, extend or change the time or manner for the performance of any obligation hereby guaranteed, amend or modify the Lease in any manner, substitute or add any one or more guarantors, accept additional or substituted security for the performance of any such obligation, or release or subordinate any security therefor, any and all of which may be accomplished without any effect on the obligations of Guarantor hereunder. No exercise or non-exercise by Landlord of any right hereby given, no dealing by Landlord with Tenant, any other guarantor or other person, and no change, impairment or suspension of any right or remedy of Landlord shall in any way affect any of the obligations of Guarantor hereunder or any security furnished by Guarantor or give Guarantor any recourse against Landlord.

3. Guarantor hereby waives and agrees not to assert or take advantage of the following:

(a) Any right to require Landlord to proceed against Tenant or any other person or to proceed or exhaust any security held by Landlord at any time or to pursue any other remedy in Landlord's power before proceeding against Guarantor;

(b) Any defense based on the statute of limitations in any action hereunder or in any action for the performance of any obligation hereby guaranteed;

(c) Any defense that may arise by reason of the incapacity, lack of authority, bankruptcy, death or disability of any other person or persons or the failure of Landlord to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;

(d) Any right to receive demands, protests and notices of any kind including, but not limited to, notice of the existence, creation or incurring of any new or additional obligation or of any action or non-action on the part of Tenant, Landlord or any other person;

(e) Any defense based on an election of remedies including, but not

limited to, any action by Landlord which shall destroy or otherwise impair any subrogation right of Guarantor or the right of Guarantor to proceed against Tenant for reimbursement, or both;

(f) Any duty on the part of Landlord to disclose to Guarantor any facts Landlord may now or hereafter know about Tenant, regardless of whether Landlord has reason to believe that such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the financial condition of Tenant and of all circumstances bearing on the risk of nonperformance of any obligation hereby guaranteed;

(g) Any right to receive notice of or to consent to any amendments that may hereafter be made to the Lease; and

(h) Any defense based on the fact that Guarantor's obligations hereunder are larger or more burdensome than that of Tenant's under the Lease.

4. Until all obligations hereby guaranteed shall have been fully performed, Guarantor shall have no right of subrogation and waives any right to enforce any remedy which Landlord now has or may hereafter have against Tenant and any benefit of, and any right to participate in, any security now or hereafter held by Landlord.

5. All existing and future obligations of Tenant to Guarantor, or any person owned in whole or in part by Guarantor, and the right of Guarantor to cause or permit itself or such person to withdraw any capital invested in Tenant are hereby subordinated to all obligations hereby guaranteed, and, without the prior written consent of Landlord, such obligations to Guarantor shall not be performed, and such capital shall not be withdrawn, in whole or in part, while Tenant is in default under the Lease.

6. All rights, powers and remedies of Landlord hereunder and under any other agreement now or at any time hereafter in force between Landlord and Guarantor shall be cumulative and not alternative, and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to Landlord at law or in equity. This Guaranty of Lease is in addition to and exclusive of the guarantee of any other guarantor of any obligation of Tenant in Landlord.

7. The obligations of Guarantor hereunder are independent of the obligations of Tenant under the Lease, and, in the event of any default hereunder or under the Lease, a separate action or actions may be brought and prosecuted against Guarantor, whether or not Tenant is joined therein or a separate action or actions are brought against Tenant. Landlord may maintain successive actions for other defaults. Landlord's rights hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions until and unless all obligations hereby guaranteed shall have been fully performed.

8. Guarantor shall pay to Landlord, without demand, reasonable attorneys' fees and all costs and other expenses which Landlord shall expend or incur in collecting or compromising any obligation hereby guaranteed or in enforcing this Guaranty of Lease against Guarantor, whether or not suit is filed including, but not limited to, attorneys' fees, costs and other expenses incurred by Landlord in connection with any insolvency, bankruptcy, reorganization, arrangement or other similar proceeding involving Guarantor which in any way affects the exercise

by Landlord of its rights and remedies hereunder.

9. Should any one or more provisions of this Guaranty of Lease be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

10. This Guaranty of Lease shall inure to the benefit of Landlord and its successors and assigns, and shall bind the heirs, executors, administrators, successors and assigns of Guarantor. This Guaranty of Lease may be assigned by Landlord concurrently with the transfer of title to property covered by the Lease, and, when so assigned, Guarantor shall be liable to the assignees without in any manner affecting the liability of Guarantor hereunder.

11. Upon full performance of all obligations hereby guaranteed, this Guaranty of Lease shall be of no further force or effect.

12. No provision of this Guaranty of Lease or right of Landlord hereunder can be waived or modified, nor can Guarantor be released from Guarantor's obligations hereunder, except by a writing duly executed by Landlord.

13. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural and the masculine shall include the feminine and neuter and vice versa. The word "person" as used herein shall include any individual, company, firm, association, partnership, corporation, trust or other legal entity of any kind whatsoever.

14. If two (2) or more persons are signing this Guaranty of Lease as Guarantor, then all such persons shall be jointly and severally liable for the obligations of Guarantor hereunder.

15. This Guaranty of Lease shall be governed by and construed in accordance with the laws of the State of Nevada. In any action brought under or arising out of this Guaranty of Lease, Guarantor hereby consents to the jurisdiction of any competent court within the State of Nevada and hereby consents to service of process by any means authorized by Nevada law.

16. **TO THE EXTENT SUCH WAIVER IS PERMITTED BY LAW, THE GUARANTOR HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT IN CONNECTION WITH THIS GUARANTY.**

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

This Guaranty of Lease shall constitute the entire agreement of Guarantor with respect to the subject matter hereof, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon Landlord unless expressed herein.

DATED: Feb. 18, 2014

**GUARANTOR(S):**

David Clayton Olive
Print Name
Representative of **Quest Academy, a Nevada State Funded Charter School.**

Signature
Representative of **Quest Academy, a Nevada State Funded Charter School**

## RIDER NO. 3- LEASE TO PURCHASE OPTION AGREEMENT

This Lease to Purchase Option Agreement ("Option to Purchase Agreement") is made on FEBRUARY 18th, 2014 between **DYNAMIC PROPERTY HOLDINGS, LLC** (the "Seller/Landlord") and **QUEST ACADEMY PREPARATORY EDUCATION, A Nevada State Funded Charter** (the Buyer/Tenant").

**WHEREAS,** Seller/Landlord is the fee owner of certain commercial real property being, lying and situated in Clark County, Nevada, such real property having a street address of 7485 W. Azure Drive, Suite 250, Las Vegas, Nevada 89130 ("the Property").

**WHEREAS,** Seller/Landlord and Buyer/Tenant have, simultaneously with this Option Agreement, executed a Lease Agreement, entitled "REAL ESTATE LEASE Between DYNAMIC PROEPRTY HOLDINGS, LLC as Landlord and QUEST ACADEMY as Tenant Dated as of FEB 18th, 2014, the subject of which is the aforementioned property (the "Lease Agreement").

**NOW, THEREFORE,** for and in consideration of the covenants and obligations contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller/Landlord hereby grants to Buyer/Tenant an exclusive Option to purchase the aforementioned "Property." The parties hereto hereby agree as follows:

1. **OPTION TERM/LEASE BUYOUT.** The Option to purchase commences on **June 1, 2021** and expires at 11:59 PM on **May 31, 2024.** **At the time of the exercise of this Option, Buyer/Tenant agrees to buyout, at full value, the obligations remaining on the Lease Agreement including all Base Rent, Additional Rent, CAMS, and other charges as if the Lease Agreement had been performed to the conclusion of its term.**

2. **NOTICE REQUIRED TO EXERCISE OPTION.** Notice required to exercise option. To exercise the option to purchase, the Buyer/Tenant must deliver to the Seller/Landlord written notice of the Buyer/Tenant's intent to purchase. The written notice is to be delivered to Seller/Landlord's address of 7495 W. Azure Drive, Suite 100, Las Vegas, Nevada 89130. In addition the written notice must specify a valid closing date. The closing date must occur before the original expiration date of the lease agreement, or the date of the expiration of the Option to Purchase Agreement designated in paragraph 1, whichever occurs later.

3. **OPTION CONSIDERATION.** As consideration for this Option to Purchase Agreement, the Buyer/Tenant shall pay the Seller/Landlord a non-refundable fee of $10.00, receipt of which is hereby acknowledged by the Seller/Landlord.

4. **PURCHASE PRICE.** The total purchase price for the property shall be the fair market value at the time of sale as determined by an independent appraisal conducted as part of the closing and settlement.

5. **EXCLUSIVITY OF OPTION**. This Option to Purchase Agreement is exclusive and non-assignable and exists solely for the benefit of the named parties above. Should Buyer/Tenant attempt to assign, convey, delegate, or transfer this option to purchase without the Seller/Landlord's express written permission, any such attempt shall be deemed null and void.

6. **CLOSING AND SETTLEMENT.** Seller/Landlord shall determine the title company at which settlement shall occur and inform Buyer/Tenant of this location in writing. Buyer/Tenant agrees that closing costs in their entirety, including any points, fees, appraisal, and other charges required by the third-party lender, shall be the sole responsibility of Buyer/Tenant the only expense related to closing costs apportioned to Seller/Landlord shall be the pro-rated share of the ad valorem taxes due at the time of closing, for which Seller/Landlord is solely responsible.

7. **FINANCING AVAILABILITY.** SELLER/LANDLORD MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE AVAILABILITY OF FINANCING REGARDING THIS OPTION TO PURCHASE. BUYER/TENANT IS SOLELY RESPONSIBLE FOR OBTAINING FINANCING IN ORDER TO EXERCISE THIS OPTION.

8. **FINANCING DISCLAIMER**. The parties acknowledge that it is impossible to predict the availability of obtaining financing towards the purchase of this property. Obtaining financing shall not be held as a condition of performance of this Option to Purchase Agreement. The parties further agree that this Option to Purchase Agreement is not entered into in reliance upon any representation or warranty made by either party.

9. **REMEDIES UPON DEFAULT.** If Buyer/Tenant defaults under this Option to Purchase Agreement or the lease agreement, then in addition to any other remedies available to Seller/Landlord at law or in equity, Seller/Landlord may terminate this Option to purchase by giving written notice of the termination. If terminated, the Buyer/Tenant shall lose entitlement to any refund of rent or option consideration. For this Option to Purchase Agreement to be enforceable and effective, the Buyer/Tenant must comply with all terms and conditions of the Lease Agreement.

10. **COMMISSION.** No real estate commissions or any other commissions shall be paid in connection with this transaction.

11. **RECORDING OF AGREEMENT.** Buyer/Tenant shall not record this Option to Purchase Agreement on the public records of any public office without the expressed and written consent of Seller/Landlord.

12. **ACKNOWLEDGMENTS.** The parties are executing this Option to Purchase Agreement voluntarily and without any duress or undue influence. The parties carefully read this Option to Purchase Agreement and have asked any questions needed to understand its terms, consequences, and binding effect and fully understand them and have been given an executed copy. The parties have sought the advice of an attorney of their respective choice if so desired prior to signing this Option to Purchase Agreement.

13. **TIMING**. Time is of the essence in this Option to Purchase Agreement.

14. **GOVERNING LAW AND VENUE.** This Option to Purchase Agreement shall be governed, construed and interpreted by, through and under the laws of the State of Nevada. The parties further agree that the venue for any and all disputes relating to this Option to Purchase shall be Clark County, Nevada.

15. **OPTION TO PURCHASE CONTROLLING.** In the event a conflict arises between the terms and conditions of the Lease Agreement and the Option to Purchase Agreement, the Option to Purchase Agreement shall control.

16. **ENTIRE AGREEMENT; MODIFICATION.** This document sets forth the entire agreement and understanding between the parties relating to the subject matter here in supersedes all prior discussions between the parties. No modification of or amendment to this Option to Purchase Agreement, nor any waiver of any rights and Ernest Option to Purchase Agreement, will be effective unless in writing signed by the party to be charged.

Sign: _____
Date: 2/18/14
Lavar A. Winsor, Member,
For DYNAMIC PROPERTY HOLDINGS, LLC (Seller/Landlord)

Sign: _____
Date: 2/18/14
David Olive, President
For QUEST ACADEMY **PREPARATORY EDUCATION, A Nevada State Funded Charter**
(Buyer/Tenant)

# Appendix T

# FIVE-DAY NOTICE TO PAY RENT OR QUIT

**TO: SUB-TENANT LESSEE, QUEST PREPARATORY ACADEMY**
**1300 E. Bridger Ave.**
**Las Vegas, NV 89101**
**TO: ANY SUB-TENANT LESSEE** of the above-named entities, persons or any entities or persons in possession of the herein-mentioned property.

**PLEASE TAKE NOTICE** that you are in default in payment of rent for the above described premises in the sum of: **$382,710.30** for the period commencing from **February 1, 2015 to December 1, 2015.** You paid **$0.00** in advance for any cleaning, security or rent deposits, in excess of the first month's rent. Rental payment(s) became delinquent on **March 1, 2015**.

**PLEASE TAKE FURTHER NOTICE** that as the tenant of the above described property or premises, you are hereby required to pay the landlord or agent below the amount of rent now in default. Your failure to pay rent or quit the premises within five (5) days, or your failure to contest this notice, may result in the landlord applying to the Justice of the Peace of the Las Vegas Township or Eighth Judicial District Court for an eviction order for your unlawful detainer of the premises. The Justice of the Peace may thereupon issue an order directing the Constable to remove you within twenty-four (24) hours after receipt of the Eviction Order or a District Court Judge may order restitution of the premises within twenty-four (24) hours.

**YOU ARE FURTHER ADVISED** of your right to contest this Notice by filing, with the Justice of the Peace of the Las Vegas Township, an Affidavit that he is not in default in the payment of rent. The Justice of the Peace is located in the Clark County Courthouse. **The Affidavit must be filed with the Court no later than noon on the fifth full day following the date of service.**

Chartered for Excellence, Tenant/Sub-Landlord
By: Anthony L. Barney, Ltd., its attorneys

By: _____
Tiffany S. Barney, Esq.
Nevada Bar No. 9754
3317 W. Charleston Blvd., Suite B
Las Vegas, NV 89102-1835
(702) 438-7878
Attorneys for Tenant/Sub-Landlord

# Appendix U

# SUBLEASE

This Sublease made this *1st day of October, 2014*, between *Centennial Executive Suites, LLC*, ("Sublessor") and *Quest Academy* ("Sublessee") is made with reference to the following facts:

A. Sublessor is the lessee under a lease dated *March 1, 2008* ("Master Lease"), a true copy of which is attached and made a part of this Sublease.

B. Sublessee desires to sublease from a Sublessor a portion of the premises described in the Master Lease on the same terms and conditions as set forth in the Master Lease, except as modified below.

RECEIVED FROM SUBLESSEE, the sum of *$6,707.00 (Six thousand, seven hundred and seven dollars and no cents)* evidenced by ("Sublessor") Signature _____ as a deposit which will belong to Sublessor and will be applied as follows:

| | TOTAL | RECEIVED | BALANCE DUE PRIOR TO OCCUPNACY |
|---|---|---|---|
| Rent for the period from Oct. 1, 2014 to Oct. 31, 2014. . . | $ 6,707.00 | $ 0.00 | $ |
| Refundable Security Deposit (not applicable towards last months rent). . | $ 0.00 | $ 2,250.00 | $ |
| Other_____ | $_____ | $_____ | $_____ |
| TOTAL. . . . . | $ 6,707.00 | $ 0.00 | |

In the event this Sublease is not accepted by the Sublessor and consent of Master Lessor obtained within 5 days, the total deposit received will be refunded to sublessee.

Sublessee offers to lease from Sublessor the premises situated in the City of Las Vegas, County of Clark, State of Nevada, described as *7495 West Azure DR. suite 140 Las Vegas NV. 89130*, upon the following terms and conditions: Rentable Area of 4,426 sq. ft.

1. **TERM.** The term will commence on October 1, 2014, and end on September 30 , 2017 . Sublessee shall have the right of first refusal to extend the term of the sublease in the existing space. The use of the furniture; 6 executive desk, 8 chairs, and 1 horizontal 2 drawer file cabinet.
2. **RENT.** The base rent will be *$6,707.00* per month payable on the1st day of each month. After the first 12 months the rent will be adjusted as follows: effective upon the first day of the month immediately following the expiration of 12 months from date of commencement of the term, and upon the expiration of each 12 months thereafter, in accordance with changes in the U.S. Consumer Price Index ("CPI"). The base rent will be increased to an amount equal to the monthly rent, multiplied by a fraction, the numerator of which is the CPI for the second calendar month immediately preceding the adjustment date, and the denominator of which is the CPI for the second calendar month preceding the commencement of the Lease term; provided however, that the monthly rent will not be less than that immediately preceding the adjustment. All rents will be paid to Sublessor or his or her authorized agent, at the following address 7495 W. Azure Suite 100 Las Vegas, NV 89130 or at other places as may be designated by Sublessor from time to time. In the event rent is not received by Sublessor within 5 days after due date, Sublessee agrees to pay a late charge of 5% ($335.35), plus interest at 18 % per annum on the delinquent amount. Sublessee furthers agrees to pay $25.00 for each dishonored bank check. The late charge period is not a grace period, and Lessor is entitled to make written demand for any rent if not paid when due.
3. **COMMON AREA EXPENSES.** If checked ☐ Sublessee agrees to pay, in addition to the base monthly rental set forth in item 2, 0 % of common area operating expenses, including utility service costs, insurance and real property taxes. Sublessee's monthly share of said expenses at the commencement of the term is $0.00. **Sublessor will follow the NRS & NAC rules of the Master Lease for pages 3.a. & 23.d. Per NRS 361.096 & Per NAC 386.342**
4. **USE.** The premises are to be used for the operation of a charter school and for no other purpose, without prior written consent of Sublessor, Sublessee will not commit any waste upon the premises, or any nuisance or act which may disturb the quiet enjoyment of any tenant in the building.
5. **OTHER PROVISIONS OF SUBLEASE.** Except as set forth above, all applicable terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if the Sublessor were the Lessor, and the Sublessee were the lessee. Sublessee assumes and agrees to perform the lessee's obligations under the Master Lease to the extent that said obligation applies to premises included in this Sublease. It is understood that Sublessee has no right to any option to renew given to the Sublessor contained in the

Master Lease. In the event Master Lease is terminated because of damage, destruction or condemnation of the premises, such termination will not constitute a breach of this Sublease on the part of the Sublessor.

6. **ENTIRE AGREEMENT.** This sublease constitutes the entire agreement between the parties and may be modified only in writing signed by all parties. The following exhibits are apart of this lease:

**Exhibit A: Master Lease** [ ] Initials

**Exhibit B: Authorization agreement for electronic debits** [ ] Initials

**Exhibit C:** [ ] Initials

**Exhibit D:** [ ] Initials

**Exhibit E:** CONSENT OF LESSOR UNDER MASTER LEASE [ ] Initials

7. **ADDITIONAL TERMS AND CONDITIONS.**

**Sublessee must give 90 day notice prior to sublease termination to terminate sublease. If Sublessee does not give 90 days notice then this sublease will renew for a minimum of 3 months according to the conditions of this sublease.** Initials [ ]

**This sublease shall become effective and legally binding upon receipt of the executed consent of Lessor under master lease, attached hereto in exhibit E, dated on or before the date of the sublease.**

The undersigned Sublessee acknowledges that he or she has thoroughly read and approved each of the provisions contained in this Offer, and agrees to the terms and conditions specified.

Sublessee _____ Date 9-3-14 Sublessee _____ Date _____

Receipt for deposit acknowledged by _____ Date 9-3-14

**ACCEPTANCE**

**The undersigned Sublessor accepts the foregoing Offer and agrees to lease the premises on the terms and conditions set forth above.**

**NOTICE: The amount or rate of real estate commissions is not fixed by law. They are set by each broker individually and may be negotiable between the owner and broker.**

The Sublessor agrees to pay to _____, the Broker in this transaction, the sum of $_____ for services rendered and authorizes Broker to deduct said sum from the deposit received from Lessee.

In the event the Sublease is extended for a definite period of time or on a month-to-month basis after expiration of the original term, Lessor will pay to Broker an additional commission of _____% of the total rental for the extended period. This commission will be due and payable and the commencement of the extended period for a fixed term, or if on a month-to-month basis, at the termination of Sublessees occupany or 1 year, whichever is earlier.

In any action for commission, the prevailing party will be entitled to reasonable attorney fees.

Sublessor _____ Date _____ Sublessor _____ Date _____

Sublessor's Address _____ Sublessor's Telephone _____

_____ Sublessor's Fax _____

# Appendix V

# LEASE

THIS AGREEMENT OF LEASE (the "Lease) is made this 15th day of May 2012, between YMCA of Southern Nevada ("Landlord"), a 501(c)(3) corporation and Quest Academy Preparatory School.
("Tenant").

1. PREMISES/TERM: Landlord leases to Tenant the portion of the building and property located at 4141 Meadows Lane, Las Vegas, Nevada 89107, and more particularly described on Exhibit A attached hereto and made a part of hereof (the "Premises"). The term of this Lease shall commence on August 15, 2012 (the "Commencement Date") and continue through June 14, 2017, unless sooner terminated as provided herein (the "Initial Term"). Rental calendar is every August 15 through June 14 of the lease term. Landlord maintains exclusive use of the Premises during June 15 through August 15 each year. Tenant may begin preparing for the school-year on August 1, with approval by Landlord.

2. RENT: For year one of the Initial Term, Tenant shall pay rent in the total amount of $10,000 per month for 9 months, without deduction or offset, payable by the 25th of each preceding month upon the execution of this Lease. Tenant shall pay rent for the first (1st) month by August 1, 2012. For year two, the Tenant shall pay rent in the total amount of $15,000 per month for 10 months, without deduction or offset, payable by the 25th of each preceding month. In years three through five, the Tenant shall pay rent in the total amount of $18,000 per month for 10 months, without deduction or offset, payable by the 25th of each preceding month. Rent shall be payable at the address of Landlord at 4141 Meadows Lane, Las Vegas, Nevada 89107 or such other place as Landlord my designate.

   If at any time during the Lease term, Tenant's per pupil funding decreases/increases, Rent will decrease/increase the same percentage as the change in per pupil funding not to exceed 5% of current Rent amount.

3. TENANT IMPROVEMENTS: The Landlord will allow certain improvements at Premises, which both Tenant and Landlord agree, as defined in Improvement Plan, Exhibit B, attached hereto. No changes can be made to Improvement Plan defined in Exhibit B without written consent of Landlord. Such improvements will not exceed $150,000. Landlord and Tenant will share equally the costs of such improvements; Landlord's share of improvement costs will not exceed $75,000. Tenant's share of improvement costs will be paid in three installments: $35,000 is due by May 15, 2012, $20,000 is due by June 15, 2012 and $20,000 is due by July 15, 2012. Construction will begin when Tenant's first installment payment is received. Landlord is not responsible for any improvements beyond what is agreed to in Exhibit B, for the duration of lease term.

4. SECURITY DEPOSIT: When Tenant signs and delivers the Lease to Landlord, Tenant must deposit with Landlord the sum of TEN THOUSAND AND NO/100 ($10,000) as security for Tenant's faithful performance of its obligations under this Lease. Each time the Rent is increased, Tenant shall deposit additional funds with Landlord sufficient to increase the Security Deposit to an amount, which bears the same relationship to the adjusted Rent as the initial Security Deposit, bore to the initial Rent. If Tenant defaults with respect to any provision of this Lease, Landlord may use, apply or retain all or any portion of the deposit for payment of any sum to which Landlord may be entitled by reason of Tenant's default, but in no way will such retention serve as liquidated damages or otherwise limit Landlord's remedies under this Lease. If Tenant performs all of Tenant's obligations, Landlord will return to Tenant, without payment of interest, the deposit or so much of it Landlord has not previously used or applied within fifteen (15) days after the expiration of the Lease or after Tenant has vacated the Premises, whichever is later. After three years of on-time Rent payments the security deposit will be refunded.

5. USE OF PREMISES: The Premises shall be occupied and used by Tenant solely for the operation and maintenance of a charter school. Tenant shall not use or permit or suffer the use of the Premises for any other business or purpose, including, without limitation, any illegal or immoral purposes. This Lease does not grant any exclusive use rights to Tenant with respect to the Premises, but rather, only for the time periods specified in Exhibit A.

6. ASSIGNMENT AND SUBLETTING: Tenant may not sublet all or any portion of the Premises or assign this Lease or any portion thereof without the prior written permission and consent of Landlord, which it may withhold in its sole and absolute discretion.

7. USE OF COMMON AREAS: Tenant and its business invitees and employees shall have the non-exclusive right, in common with Landlord and all others to whom Landlord has granted or may hereafter grant rights, to use the common areas, as defined in Exhibit C, attached hereto, for ingress, egress and parking subject to regulations as Landlord may from time to time impose and the rights of the Landlord set forth above. Landlord shall not revoke such non-exclusive rights so long as Tenant is not in default under the terms of these Lease. Tenant shall abide by all such reasonable, non-discrimatory rules and regulations that are applied uniformly to all of the invitees of the Bill & Lillie Heinrich YMCA and use its best efforts to cause its employees, agents and invitees to abide thereby. Landlord may at any time close temporarily any common areas to make repairs of changes, defend the acquisition of public rights therein, discourage non-customer parking, or other reasonable purposes. Tenant shall not interfere with Landlord's or other permitted users rights to use any part of the common areas or other areas of the Bill & Lillie Heinrich YMCA not included as part of the Premises.

8. MAINTENANCE AND REPAIRS: Landlord shall keep and maintain the Premises in good order, condition and repair and make all repairs and replacements thereto and to the fixtures and equipment therein and the appurtenances, thereto. Landlord shall provide custodial services and shall maintain the Premises in clean and sanitary conditions, including without limitation removal of garbage. Landlord agrees to provide regular maintenance and service to the heating and air conditioning and ventilating equipment in the Premises. Tenant shall be responsible for repair of damages caused by Tenant's negligence and that of Tenant's employees, agents, students, parents, invitees and guests.

9. UTILITIES: Landlord shall furnish light, air conditioning, heat and water by means of appliances installed for ordinary purposes, but for no other purpose. Landlord shall not be responsible nor chargeable for interruptions, delays or failures furnishing any such utilities due to causes beyond the control of the Landlord.

10. OBLIGATIONS OF TENANT:

a. Tenant, at all times during the tenancy, shall:

i. USE OF APPLIANCES: Use and operate in a reasonable manner all electrical, plumbing, sanitary, heating, cooking, ventilation, air conditioning and other such facilities, appliances and equipment.

ii. CONDUCT: Conduct itself, and require persons on the Premises with Tenant's consent to conduct themselves, in a manner that does not constitute a breach of the peace and without unreasonably interfering with or causing undue inconvenience to Landlord's business.

iii. COMPLIANCE WITH LAW: Comply with all present and future laws, orders and regulations of Federal, State, County and municipal authorities which affect the use or occupancy of the Premises, except that the Tenant shall have no obligation to make any structural or nonstructural changes as a result thereof.

b. Tenant, at all times during the tenancy, shall not:

i. DAMAGE: Destroy, deface, damage, or remove any part of the Premises or property therein belonging to Landlord, or permit any person to do so.

ii. WASTE: Commit waste on the Premises, or maintain or maintain or permit to be maintained a nuisance thereon.

iii. CHANGES AND ALTERATIONS: make any structural changes, alterations or improvements of any kind in or to the Premises with out Landlord's prior written consent. Tenant shall not paint, paper, or otherwise redecorate or make non-structural alterations to the Premises without the prior written consent of Landlord. Our consent may be withheld at our sole discretion. Tenant may utilize non-permanent decorations in the classrooms.

11. DEFAULT BY TENANT: If Tenant fails to keep any of Tenant's agreement set forth in this Lease, Landlord shall give written notice thereof to Tenant. If Tenant fails to cure such default within five (5) days thereafter in the case of monetary defaults or ten (10) days thereafter in the case of non-monetary defaults, Landlord may, with or without further notice or demand, recover and resume possession of the Premises, remove all persons and property therefrom, and terminate this Lease, and Tenant shall have no further claim hereunder. This remedy shall not be deemed exclusive and Landlord may pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises is located. In the event of Tenant's default, the Landlord is entitled to recover their entire share of improvement costs from Tenant. If Landlord terminates the Lease, Tenant shall remain liable for all obligations arising during the balance of the Initial Term as if this Lease had remained in full force and effect. Notwithstanding anything to the contrary herein, if Tenant commits any default hereunder for or precedent to which or with respect to which or with respect to which notice is herein required, and commits such defaults within twelve (12) months thereafter, no notice shall thereafter be required to be given by Landlord as to or precedent to any such subsequent default during such twelve (12) month period (as Tenant hereby waiving the same) before exercising any or all remedies available to Landlord.

12. DEFAULT BY LANDLORD: In the event Landlord fails to perform any of its material obligations hereunder, Landlord shall be entitled to a reasonable period of time after notice from Tenant to cure such default not to exceed ten (10) days, unless the default, by its nature, cannot be cured in less than ten (10) days and Landlord, during such ten (10) day period, commences to cure and diligently pursues such cure to completion. Tenant may, without prejudice to any other remedy available a law or in equity, terminate this Lease upon written notice to Landlord.

13. DESTRUCTION OF PREMISES: If the Premises shall be damaged, in whole or in part, by fire or other casualty, Tenant may terminate this Lease if Tenant reasonably determines that the Premises are so damaged that they cannot be used for Tenant's intended use; provided, however, that Tenant's Rent shall not abate if the fire or other casualty was caused by Tenant or one of its employees, agents or

invitees and Tenant shall be responsible for any damages incurred by Landlord in such an event.

14. CONDEMNATION:

(a) Total: If the whole of the Premises or such part thereof as will render the remainder untenantable shall be acquired or taken by eminent domain for any public or quasi public use or purpose or by private purchase in lieu thereof, then the Lease and the Term thereof shall automatically cease and terminate as of the date of title vesting in such proceeding.

(b) Partial: If any part of the Premises shall be so taken and such partial taking shall render that portion not so taken unsuitable for the purposes for which the Premises were leased, in Tenant's sole determination, then Tenant shall have the right to terminate the Lease by giving written notice to Landlord within thirty (30) days after the date of title vesting in such proceeding. If any part of the Premises shall be so taken and the Lease shall not be terminated, as aforesaid, then the Lease and all of the terms and provisions thereof shall continue in full force and effect. Rent shall be reduced in proportion to the amount of the Premises so taken.

(c) If the Lease is terminated (i) as provided in paragraph 12 (a) above, all rents shall be paid by Tenant up to the date that possession is so taken by public authority or (ii) as provided in paragraph 12 (b), all rents shall be paid through the effective date of the notice of termination. In the event of any such termination, Landlord shall make an equitable refund of any rents paid by Tenant in advance and not yet earned.

If the whole or any part of the Premises shall be taken or condemned by any competent authority of any public use or purpose during the term of this Lease, or if such authority shall take title to the Premises in lieu of condemnation, Tenant reserves the right to claim and prosecute its claim in all appropriate courts and agencies for an award or damages for the taking, based upon its leasehold interest and ownership of leasehold improvements interruption of business, moving expenses and other damages available under applicable law, without impairing any right of Landlord for the taking of Landlord's interest in the Premises. Each party agrees to execute and deliver to the other all instruments that may be required to effectuate the provisions of this paragraph.

15. INDEMNIFICATION:

a. By Tenant. Tenant will indemnify, defend, and hold Landlord harmless against any and claims and losses arising from: (i) the use or occupancy of the Premises by the Tenant or its agents and invitees, for the period from and after the date of Tenant's entry onto the Premises; (ii) any breach, violation or nonperformance of any term, covenant, or condition of this Lease on the part of Tenant to be performed; (iii) any neglect or fault of the Tenant, or the agents, the employees, and invitees of the Tenant, in the use and occupancy of the Premises; or (iv) any failure by Tenant to comply and conform to any and all building, health, safety, environmental or other laws, ordinances, codes and regulations applicable to Tenant's use and occupancy of the Premises or the compliance with which this Lease otherwise makes Tenant's responsibility.

Tenant hereby assumes all risk of damage to the Premises or injury to persons in and about the Premises from any cause except for any gross negligence or willful misconduct of Landlord and Tenant hereby waives all claims with respect thereof against Landlord except where such damages arise out of the gross negligence or willful misconduct of Landlord. Tenant waives all claims for consequential damages, including but not limited to lost profits. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or for damages to the property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Premises; nor unless through it gross negligence or willful misconduct, shall Landlord be liable for injury to Tenant, Tenant's employees, agents, servants, contractors, invitees, or customers, whether such damages or injury results from the conditions arising upon the Premises, or some other source or places. Tenant waives all claims for consequential damages, including but not limited to lost profits. Landlord's liability shall not exceed the amount of Rent received under this Lease.

16. INSURANCE: Tenant agrees to secure and keep in full force and effect he following minimum insurance coverage from and after the date Landlord delivers possession of the Premises to tenant and throughout the term of this Lease at Tenant's sole cost and expense:

a. General Liability Coverage. Comprehensive general liability insurance on an occurrence basis with combined minimum single limits of liability in an amount of ONE MILLION DOLLARS ($1,000,000.00) per occurrence and TWO MILLION DOLLARS ($2,000,000.00) IN THE AGGREGATE FOR BODILY INJURY AND PROPERTY DAMAGE. Tenant shall provide to Landlord at execution of this Lease, a certificate of insurance evidencing the coverage required herein. Any insurance procured by Tenant as herein required shall be issued showing Landlord as an additional insured by a company licensed to do business in the State of Nevada, shall be endorsed to provide Landlord with no less than thirty (30) days prior written notice of cancellation or non-renewal, and

shall be enforced throughout the Term of this Lease. Tenant's policies shall also be endorsed to reflect that in the event that coverage benefiting Landlord exists under both Landlord's and Tenant's policies, coverage under the Tenant's policies shall be primary.

b. Worker's Compensation Insurance. Tenant must maintain worker's compensation insurance in amounts required by Nevada law. Evidence of which shall be required prior to execution of this lease.

17. ENVIRONMENTAL: Tenant shall not (i) conduct any activity on the Premises that will produce or result in the release of Hazardous Substances, other than activities conducted in the ordinary course of Tenant's business ('Permitted Activities"), which Permitted Activities shall be subject to Tenant's conducting such activities in full compliance with all applicable Hazardous Materials Laws; (ii) use the Premises or part thereof for the storage of any Hazardous Substances except for temporary storage as approved and consented to by Landlord in conducting the Permitted Activities, which storage shall be done in full compliance with all Hazardous Materials Laws: (iii) use any portion of the Premises as a landfill or dump; or (iv) install any underground tanks of any type on the Premises. Tenant shall indemnify and hold Landlord and its employees, agents, attorneys, officers, shareholders, and partners and their successors and assigns free and harmless from any claims, demands, actions, losses, liabilities, penalties, costs, expenses, damages and obligations of any nature arising from or caused in whole or in part by Tenant's use, storage, transportation, disposal, release, threatened release, discharge or generation of Hazardous Substances in, on, or about or from the Premises; and Tenant's failure to comply with any Hazardous Materials Laws. The foregoing indemnification shall survive the termination or expiration of the Term of the Lease.

18. FEES AND EXPENSES: In the event of any litigation between the Landlord and Tenant with respect to this Lease or the Premises, the prevailing party shall be entitled to reimbursement from the non-prevailing party for all reasonable attorneys' fees and costs incurred at the trial level and at all levels of appeal.

19. END OF TERM, ABANDONED PROPERTY: At the end of the term, Tenant shall surrender the Premises to Landlord, broom clean, and in as good condition as they were at the beginning of the term, except for ordinary wear and tear and items of repair for which Landlord is responsible, and Tenant shall remove all of Tenant's property. All property, installations, and additions required to be removed by Tenant at the end of the term which remain in the Premises after Tenant has vacated shall be considered abandoned by Tenant and, at the option of the Landlord, may either be remained as Landlord's property or may be removed by Landlord at Tenant's expenses. Tenant shall be liable for any damage to the Premises or property caused by Tenant.

20. NO WAIVER OF LEASE TERMS: The failure of Landlord or Tenant to take any action against the other for violation of any of the terms of the Lease shall not prevent a subsequent act of a similar nature from being a violation of the Lease.

21. QUIET ENJOYMENT: Tenant, upon paying the rents and performing all of the terms on its part to be performed, shall peaceably and quietly enjoy the Premises subject, nevertheless, to the terms of this Lease and Landlord's right to conduct its business on its property. Tenant understands that Landlord's invitees will be utilizing the property for recreational purposes and assumes full risk of any noise disburbances typically associated with those activities. Tenant also understands and assumes the risk from construction activities to Landlord's indoor pool.

22. FORCE MAJEURE: If any party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure material, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, environmental remediation work whether ordered by any governmental body or voluntarily initiated or other reason of a like nature not the fault of the party delayed in performing work or doing acts required under the Lease, the period for performance of any such act shall be extended for a period equivalent to the period of such delay. Notwithstanding the foregoing, the provisions of this section shall at no time operate to excuse Tenant from the obligation to pay Rent when the same is due, and all such amounts shall be paid when due.

23. NOTICES: Any notice, demand, request or other instrument which may be or are required to be given under this Lease shall be delivered in person or sent by United States Certified or registered Mail, postage prepaid, or by overnight courier such as Federal Express, and shall be addressed:

(a) if to Landlord at: YMCA of Southern Nevada
4141 Meadows Lane
Las Vegas, Nevada 89107
Attn: Mike Lubbe

(b) if to Tenant at: XXXXXXXXX

Either party may designate such other address as shall be given by written notice. Any notice mailed in accordance herewith shall be deemed received three (3) business days from the date of mailing or within one day after delivery to an overnight courier service.

24. ORAL AGREEMENTS/SUCCESSOR INTEREST: The agreements contained in this Lease set forth the entire understanding of the parties, shall be binding upon the respective heirs, successors, assigns and legal representatives of the parties and shall not be changed or terminated orally.

25. WAIVER OF TRIAL BY JURY: Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either party against the other pertaining to any matters whatsoever arising out of or in any way connected with this Lease or the Premises.

26. TENANT'S REPRESENTATIONS: Tenant hereby represents and warrants that (a) it is a statutorily created public governing body pursuant to NRS 354.474 (1)(a), (b) it is duly authorized and licensed to transact business in the State of Nevada as a charter school, (c) it has the full right, power and authority to execute this Lease, (d) the individual signing this Lease on behalf of the Tenant has the required authority, and (e) no consents or approvals of third parties are required in order for Tenant to enter into this Lease and has all required licenses to operate as a school.

27. LANDLORD'S REPRESENTATIONS: Landlord hereby represents and warrants that (a) it is a corporation duly organized, validly existing and in good standing under the laws of Nevada, the state of its formation, (b) it has not received any written notice of any eminent domain or similar proceeding which would affect the Premises, (c) it has the full right, power and authority to execute this Lease, (d) the individual signing this Lease on behalf of the Landlord has the required authority, (e) no restrictive covenant, easement, lease or other written agreement restricts, prohibits or otherwise affects Tenant's right set forth in this Lease, except those previously disclosed to Tenant, (f)no consents or approvals of third parties are required in order for Landlord to enter into the Lease.

28. BROKER'S COMMISSIONS: Landlord and Tenant each represent and warrant to the other that there are no claims for brokerage commissions or finder's fees in connection with the execution of this Lease. Landlord and Tenant each agrees to indemnify defend and protect the other against and hold it harmless from all liabilities arising from any such claim, including cost of reasonable counsel fees, related to the acts of the indemnifying party.

29. SEVER ABILITY: The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

30. CAPTIONS: Articles and paragraph captions are not a part hereof.

31. GOVERNING LAW: This Lease is made under and shall be governed by and construed in accordance with the laws of the State of Nevada, and the exclusive jurisdiction of any action to enforce the terms hereof shall be in Clark County, Nevada.

32. HOLDING OVER: Any holding over after the expiration of the Lease, with the consent of the Landlord shall be construed as a week-to-week tenancy in accordance with the terms of this Lease, as applicable. The Rent shall increase by $9,000 during the period of Tenant's week-to-week tenancy.

33. LATE CHARGES AND DEFAULT INTEREST: If Tenant fails to pay Rent within five (5) business days after due date, Tenant agrees that it would be impractical or extremely difficult to fix the actual damage to Landlord caused by the failure and therefore agrees to pay a late charge of $1,000 plus interest at 18% per annum commencing on the date on which the delinquent amounts are due. The amounts due under this section are in addition to and not in lieu of any other remedies of Landlord.

34. THIRD PARTY RIGHTS: Nothing in this Lease, express or implied, is intended to confer upon any person, other than the parties and their respective successors and assigns, any rights or remedies under or by reason of this Lease.

35. COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

36. EXPANSION SPACE: If and when Tenant notifies Landlord in writing of Tenant's need for additional space (and specifying the approximate amount of additional space needed), Landlord agrees to use reasonable efforts to provide Tenant with the opportunity to lease such additional space, to the extent it is available to lease, on terms mutually acceptable to Landlord and Tenant. To the extent such space becomes available and is comparable to the space currently occupied under this Lease, the Landlord agrees that Rent for such space shall be comparable to that then paid by Tenant under this Lease (as calculated on a per square foot basis).

IN WITNESS WHEREOF, the parties have executed the Lease as of the last day and year written below:

TENANT:

By: _____
Name: Christine Fuentes
Title: President of the Board
Date: _____

LANDLORD

By: _____
Name: Michael Lubbe
Title: CEO
Date: 5-23-12

# AMENDMENT OF LEASE

This Amendment of Lease (the "Amendment") is made as of the _____ day of August, 2014 (the "Effective Date") among YMCA of Southern Nevada ("Landlord"), 501(C)(3) Corporation and Quest Academy Preparatory School ("Tenant").

WHEREAS, Tenant is the named tenant under that certain Lease dated May 15, 2012 between Landlord and Tenant for property located at 4141 Meadows Lane, Las Vegas, Nevada 89107 (the "Lease"), a true and correct copy of which is attached hereto as Exhibit A; and

WHEREAS, Tenant has acquired an alternative location to operate its charter school, but desires space for athletic and recreational activities associated with its charter school; and

WHEREAS, Landlord has agreed to allow Tenant to lease a portion of the building and property located at 6601 N. Buffalo Drive, Las Vegas, Nevada 89131 for athletic and recreational activities for Tenant's charter school; and

WHEREAS, the Parties hereto desire to amend the Lease pursuant to the terms and conditions set forth herein below.

NOW, THEREFORE, in consideration of the premises and for good and valuable consideration, it is mutually agreed as follows:

1. Paragraph 1 of the Lease is hereby deleted and replaced with the following:

   Landlord leases to Tenant the portion of the building and property located at 6601 N. Buffalo Drive, Las Vegas, Nevada 89131, and more particularly described on Exhibit B attached hereto and made a part hereof (the "Premises"). The term of the Lease shall commence on August 15, 2014 (the "Commencement Date") and continue through June 14, 2017, unless sooner terminated as provided herein (the "Initial Term"). Rental calendar is every August 15 through June 14 of the Lease Term. Landlord maintains exclusive use of the Premises during June 15 through August 15 each year.

2. Paragraph 2 of the Lease is hereby deleted and replaced with the following:

   For year one (1) of the Initial Term, Tenant shall pay rent in the total amount of $14,250 per month for 10 months, without deduction or offset, payable by the 25th of each preceding month upon execution of this Lease. Tenant shall pay rent for the first (1st) month by August 15, 2014. Rent shall be payable at the address of Landlord at 4141 Meadows Lane, Las Vegas, Nevada 89107 or such other place as

Landlord may designate. If at any time during the Lease Term, Tenant's per pupil funding decreases/increases, Rent will decrease/increase the same percentage as the change in per pupil funding not to exceed 5% of the current Rent amount.

3. Section 3 of the Lease is hereby deleted.

4. Section 5 of the Lease is hereby deleted and replaced with the following:

The Premises shall be occupied and used by Tenant solely for the athletics and recreational activities of a charter school. Tenant shall not use or permit or suffer the use of the Premises for any other business or purpose, including, without limitation, any illegal or immoral purposes. This Lease does not grant any exclusive use rights to Tenant with respect to the Premises, but rather, only for the time period specified in Exhibit B.

5. Section 7 of the Lease is hereby amended to change "Bill & Lillie Heinrich YMCA" to "Centennial Hills YMCA".

6. Except as set forth in this Amendment, all of the terms and conditions of the original Lease shall remain in full force and effect.

| TENANT: | LANDLORD: |
|---|---|
| QUEST ACADEMY PREPARATORY SCHOOL | YMCA OF SOUTHERN NEVADA |
| By: [signature] | By: |
| Name: David Olive | Name: |
| Title: Governing Board Pres. | Title: |
| Date: 9/03/2014 | Date: |

# EXHIBIT A

Quest Academy will have use of 7 classrooms and 2 administrative offices, Monday through Friday from 7:00 a.m. to 3:00 p.m., as defined in Exhibit C. The Landlord (YMCA) shall have the right to use the Premises during such other times, as Tenant is not occupying the Premises.

Tenant may use activity areas, as defined in Exhibit C, for physical education programs. Such use must be arranged with Landlord at least one week in advance of date needed, and is subject to availability.

Tenant is entitled to 20 designated parking spaces on the south and east side of the property.

Tenant shall be entitled to store instructional materials on the Premises throughout the Term of the Lease.

Quest Academy will promote the YMCA programs and membership to its students and their families.

Quest Academy will supply, maintain and repair their own equipment ie: desks, computers, copier, phone, health care equipment and supplies, security and filing.

# EXHIBIT B

## ATTACHEMENT "4"

YMCA QUEST ACADEMY TI
Boyd Martin Construction
License # 65572

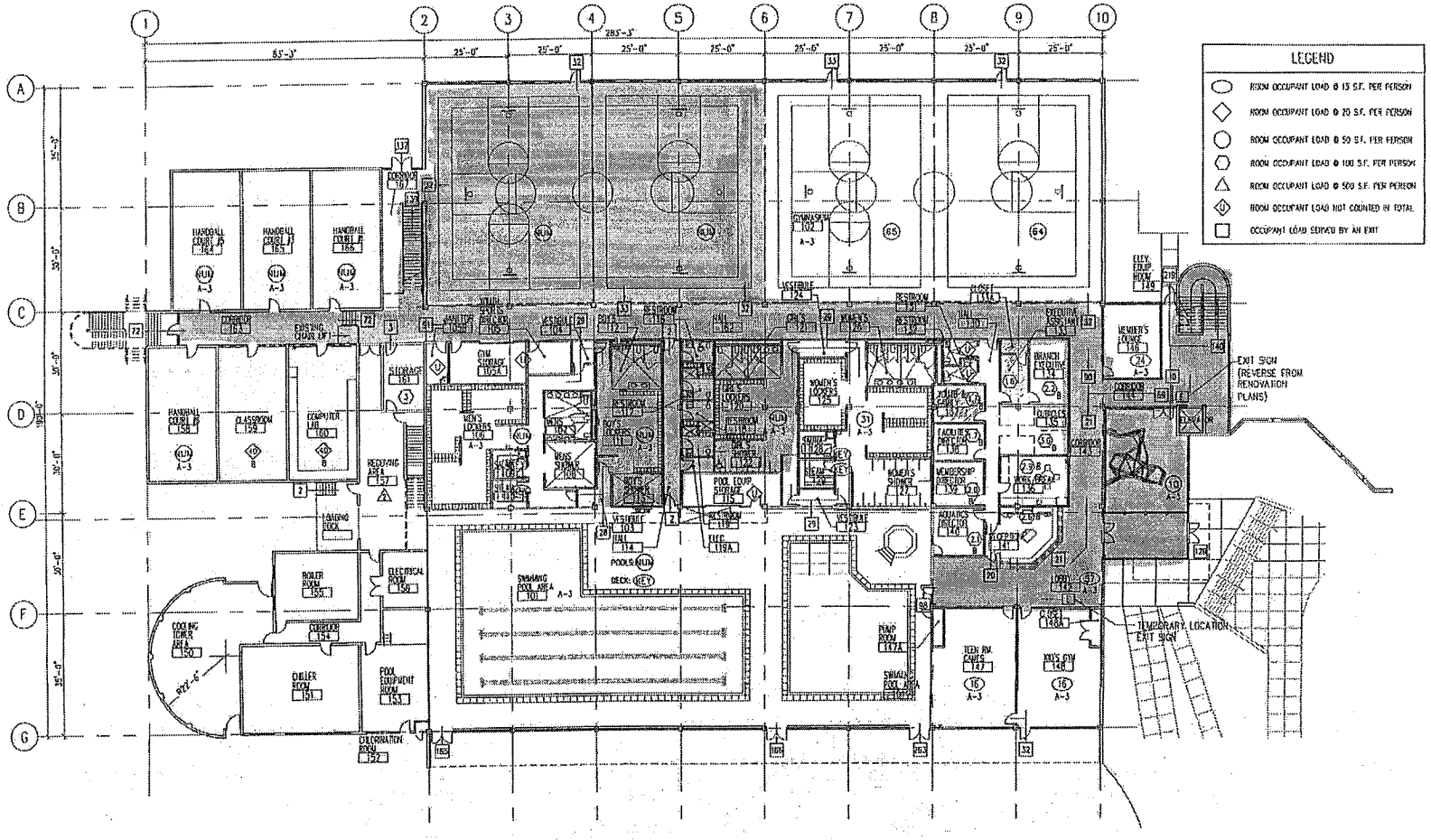
DEC 5, 2011

| ITEM # | Confidential/Preliminary Budget Estimate | | YMCA/Quest Academy Classroom Conversion |
|---|---|---|---|
| 1 | MISC BUILDING DEMOLITION | $ | 6,188.00 |
| 2 | POUR CONCRETE SLAB | $ | - |
| 3 | CONCRETE PATCHING | $ | - |
| 4 | REBAR--FOR PLUMBING TRENCHES | $ | - |
| 5 | ROUGH CARPENTRY | $ | - |
| 6 | FINISH CARPENTRY | $ | 220.00 |
| 7 | CONFERENCE TABLES-BASE ALLOWANCE | $ | - |
| 8 | ARCHITECTUAL CASEWORK--Lab Station with Plastic Laminate | $ | 6,000.00 |
| 9 | SOUND INSULATION ABOVE GRID | $ | - |
| 10 | INSULATION--ALL INTERIOR WALLS | $ | - |
| 11 | FIRESTOPPING | $ | - |
| 12 | BUILT-UP ROOFING--PATCH | $ | - |
| 13 | CAULKING / JOINT SEALANTS | $ | 902.04 |
| 14 | LIGHT KIT FOR OFFICE DOOR | $ | 400.00 |
| 15 | GLASS DOORS AT CLASSROOMS | $ | 4,350.00 |
| 16 | METAL STUD FRAMING/DRYWALL--WALLS 6" ABOVE LID | $ | 17,720.00 |
| 17 | ACCOUSTIC CEILINGS | $ | 8,145.00 |
| 18 | PAINTING -- EXLUDES PAINTING EXPOSED PIPING ADD 1,837 | $ | 4,340.00 |
| 21 | CERAMIC TILE | $ | - |
| 23 | RESILIENT FLOORING/BASE ALLOWANCE | $ | 1,500.00 |
| 24 | REFINISH EXISTING WOOD FLOORS -- REMAIN AS ARE TO BE PROTECTED DURING CONSTRUCTION | $ | - |
| 25 | TOILET ACCESSORIES | $ | - |
| 26 | FIRE EXTINGUISHERS | $ | - |
| 27 | INTERIOR SIGNAGE ALLOWANCE | $ | - |
| 28 | EXTERIOR SIGNAGE ALLOWANCE | $ | - |
| 29 | PROJECTION SCREENS | $ | - |
| 31 | FIRE SPRINKLER--Modifications | $ | 4,100.00 |
| 32 | PLUMBING -- THREE SINKS IN UPSTAIRS LAB AREA | $ | 2,800.00 |
| 33 | HVAC--Modify Existing System UTILIZING EXISTING VAV BOXES AND CONTROLS | $ | 18,940.00 |
| 34 | ELECTRICAL | $ | 28,055.00 |
| 35 | FIRE ALARM ALLOWANCE | $ | 1,250.00 |
| 36 | LOW VOLTAGE DATA/PHONE AND CABLE | $ | - |
| 37 | AUDIO VISUAL SYSTEMS ALLOWANCE | $ | - |
| 41 | ARCHTIECTURAL DESIGN FEES | $ | - |
| 46 | DRAWING REPRODUCTION | $ | 450.00 |
| 49 | ASBESTOS ABATEMENT | $ | - |
| 50 | ASBESTOS SURVEY--may be required | $ | 2,500.00 |
| 51 | FUEL EXPENSE | $ | 400.00 |
| 52 | MOBILIZATION | $ | 750.00 |
| 53 | SURVEY & LAYOUT | $ | - |
| 54 | TESTING/QUALITY CONTROL | $ | - |
| 55 | TEMP. FENCE/walls/barriers | $ | 600.00 |
| 57 | PLAN CHECK FEE | $ | 1,426.75 |
| 62 | WATER FEES ALLOWANCE | $ | - |
| 63 | SEWER FEES ALLOWANCE | $ | 2,400.00 |
| 65 | GL INSURANCE ATTRIBUTABLE TO PROJECT | $ | - |
| 66 | FINAL CLEANING -- BY TENANT | $ | - |
| 67 | PROJECT CLOSEOUT | $ | 1,950.00 |
| 68 | BUILDERS RISK INSURANCE | $ | 660.61 |
| 69 | CLEAN UP/RUBBISH REMOVAL | $ | 2,200.00 |
| 70 | EQUIPMENT RENTAL -- LIFTS | $ | 1,460.00 |
| 71 | JOB TRAILER/STORAGE CONTAINERS | $ | - |
| 72 | TEMP. TOILETS -- BMC EMPLOYEE'S AND SUBS SHALL HAVE ACCESS TO YMCA RESTROOM FACILIT | $ | - |
| 73 | TEMP. POWER, PHONE, WATER/MO | $ | - |
| 74 | FINAL MONTH POWER/WATER/ETC. | $ | - |
| 75 | TEMP POWER SERVICE LATERAL | $ | 500.00 |
| 76 | OTHER TEMPORARY SERVICES | $ | 1,000.00 |
| 77 | PROJECT MANAGEMENT | $ | 2,320.00 |
| 78 | JOB SITE SUPERVISION | $ | 12,870.00 |
| 79 | PERMITS | $ | 2,195.00 |
| | SUB TOTAL | $ | 138,492.40 |
| | BMC O&P | $ | 8,309.54 |
| | TOTAL | $ | 146,801.94 |
| | TOTAL AREA OF REMODEL = 4925 SF | $ | 29.81 |

BMC

OWNER

# EXHIBIT C



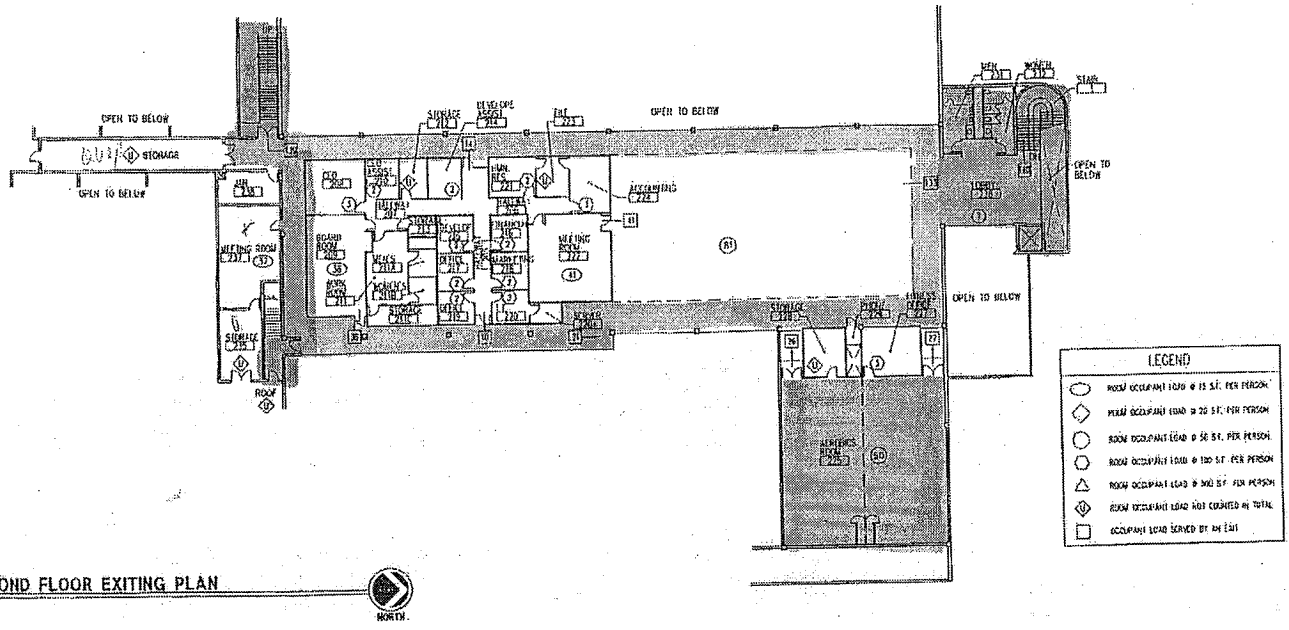

**TEMPORARY EXITING PLAN**

NORTH

**Color Key:**

- Classrooms/storage/office space
- Activity areas (must be scheduled in advance)
- Common areas

# EXHIBIT C




**Color Key:**

**Classrooms/storage/office space**

**Activity areas (must be scheduled in advance)**

**Common areas**

# Appendix W

| Employment Status | Loc | Title | Contract or Base Pay | Total Payroll Cost to Quest | End Date | August | September | October | November | December | January | February | March | April | May | Forecasted Labor Cost Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **September** | | | | | | | | | | | | | | | | |
| Terminated | Roberson | Café Ass't | $ 30,000.00 | $ 38,936.92 | 9/28/2015 | $ 3,244.74 | $ 3,244.74 | | | | | | | | | $ 6,489.49 |
| Terminated | Torrey Pines | Janitor | $ 28,000.00 | $ 32,170.00 | 9/28/2015 | $ 2,680.83 | $ 2,680.83 | | | | | | | | | $ 5,361.67 |
| Terminated | Bridger | Kinder Teacher | $ 42,883.58 | $ 50,316.40 | 9/22/2015 | $ 4,193.03 | $ 2,591.00 | | | | | | | | | $ 6,784.03 |
| **September Total** | | | | | | | | | | | | | | | | **$ 18,635.18** |
| **October** | | | | | | | | | | | | | | | | |
| Terminated | Bridger | Grade 2 Teacher | $ 37,500.00 | $ 44,471.60 | 10/29/2015 | $ 3,705.97 | $ 3,705.97 | $ 3,705.97 | | | | | | | | $ 11,117.90 |
| Terminated | Bridger | Grade 5 Teacher | $ 37,500.00 | $ 51,721.60 | 10/15/2015 | $ 4,310.13 | $ 4,310.13 | $ 2,155.07 | | | | | | | | $ 10,775.33 |
| Terminated | Business | Finance Generalist | $ 34,306.86 | $ 41,660.90 | 10/16/2015 | $ 3,471.74 | $ 3,471.74 | $ 1,735.87 | | | | | | | | $ 8,679.35 |
| Terminated | Torrey Pines | Library | $ 42,883.58 | $ 57,347.36 | 10/29/2015 | $ 4,778.95 | $ 4,778.95 | $ 4,778.95 | | | $ - | $ - | $ - | $ - | $ - | $ 14,336.84 |
| Terminated | Torrey Pines | Office Aide/Kinder Ass't | $ 32,000.00 | $ 46,373.64 | 10/29/2015 | $ 3,864.47 | $ 3,864.47 | $ 3,864.47 | | | $ - | $ - | $ - | $ - | $ - | $ 11,593.41 |
| Terminated | Torrey Pines | Security | $ 29,840.00 | $ 34,047.60 | 10/29/2015 | | $ 2,837.30 | $ 2,837.30 | | $ - | $ - | $ - | $ - | $ - | $ - | $ 5,674.60 |
| **October Total** | | | | | | | | | | | | | | | | **$ 62,177.44** |
| **November** | | | | | | | | | | | | | | | | |
| Terminated | Business | IT Manager/Web Maint | $ 80,000.00 | $ 91,813.08 | 11/20/2015 | $ 7,651.09 | $ 7,651.09 | $ 7,268.54 | $ 6,541.68 | | | | | | | $ 29,112.40 |
| Terminated | Torrey Pines | 2nd Grade Teacher | $ 42,883.58 | $ 54,807.76 | 11/9/2015 | $ 4,567.31 | $ 4,567.31 | $ 4,567.31 | $ 1,141.83 | | | | | | | $ 14,843.77 |
| Terminated | Torrey Pines | 504 Coordinator | $ 42,883.58 | $ 55,387.28 | 10/29/2015 | $ 4,615.61 | $ 4,615.61 | $ 4,615.61 | $ 4,615.61 | | | | | | | $ 18,462.43 |
| **November Total** | | | | | | | | | | | | | | | | **$ 62,418.59** |
| **December** | | | | | | | | | | | | | | | | |
| Terminated | Torrey Pines | 2nd Grade Teacher | $ 37,500.00 | $ 60,797.80 | 12/18/2015 | $ 5,066.48 | $ 5,066.48 | $ 5,066.48 | $ 5,066.48 | $ 2,453.52 | | | | | | $ 22,719.45 |
| Terminated | Torrey Pines | 3rd Grade Teacher | $ 42,883.58 | $ 51,226.72 | 12/18/2015 | $ 4,268.89 | $ 4,268.89 | $ 4,268.89 | $ 4,268.89 | $ 2,134.45 | | | | | | $ 19,210.02 |
| **December Total** | | | | | | | | | | | | | | | | **$ 41,929.47** |
| **January** | | | | | | | | | | | | | | | | |
| Terminated | Bridger | Grade 2 Teacher | $ 42,883.58 | $ 61,235.72 | 1/15/2016 | | | | $ 5,102.98 | $ 5,102.98 | $ 2,551.49 | $ - | $ - | $ - | $ - | $ 12,757.44 |
| Terminated | Roberson | Music Teacher | $ 42,883.58 | $ 55,713.54 | 1/15/2016 | $ 4,642.80 | $ 4,642.80 | $ 4,642.80 | $ 4,642.80 | $ 4,642.80 | $ 1,562.50 | | $ - | $ - | $ - | $ 24,776.48 |
| Terminated | Roberson | Pre Algebra & PreCalculus | $ 42,883.58 | $ 49,778.60 | 1/8/2016 | $ 4,148.22 | $ 4,148.22 | $ 4,148.22 | $ 4,148.22 | $ 4,148.22 | $ 1,375.05 | | $ - | $ - | $ - | $ 22,116.13 |
| Terminated | Roberson | Café Lunch Ass't | $ 34,306.86 | $ 41,660.90 | 1/15/2016 | | | | $ 1,735.87 | $ 3,471.74 | $ 1,429.45 | | $ - | $ - | $ - | $ 6,637.06 |
| Terminated | Roberson | Athletic Administrator | $ 75,000.00 | $ 98,258.88 | 1/15/2016 | $ 8,188.24 | $ 8,188.24 | $ 7,983.53 | $ 7,584.36 | $ 7,584.36 | $ 2,968.75 | | $ - | $ - | $ - | $ 42,497.48 |
| Terminated | Roberson | Phys Educ | $ 42,883.58 | $ 51,469.40 | 1/15/2016 | $ 4,289.12 | $ 4,289.12 | $ 4,289.12 | $ 4,289.12 | $ 4,289.12 | $ 1,786.82 | | $ - | $ - | $ - | $ 23,232.40 |
| Terminated | Roberson | SPED Aide | $ 32,000.00 | $ 38,615.44 | 1/20/2016 | $ 3,217.95 | $ 3,217.95 | $ 3,217.95 | $ 3,217.95 | $ 3,217.95 | $ 1,608.98 | | $ - | $ - | $ - | $ 17,698.74 |
| Terminated | Torrey Pines | Kinder Teacher | $ 37,500.00 | $ 45,217.76 | 1/15/2016 | $ 3,768.15 | $ 3,768.15 | $ 3,768.15 | $ 3,768.15 | $ 3,768.15 | $ 1,786.82 | | $ - | $ - | $ - | $ 20,627.55 |
| Early seperation | Torrey Pines | Janitor | $ 29,723.20 | $ 36,393.73 | 5/31/2016 | $ 3,032.81 | $ 3,032.81 | $ 3,032.81 | $ 3,032.81 | $ 3,032.81 | $ 3,032.81 | $ 3,032.81 | $ 3,032.81 | $ 3,032.81 | $ 3,032.81 | $ 30,328.11 |
| **January Total** | | | | | | | | | | | | | | | | **$ 200,671.40** |
| **February** | | | | | | | | | | | | | | | | |
| Terminated | Business | Superintendent | $175,000.00 | $ 224,676.92 | 2/10/2016 | $ 18,723.08 | $ 18,723.08 | $ 17,318.85 | $ 14,721.02 | $ 14,721.02 | $ 14,721.02 | $ 4,857.94 | | | | $ 103,785.99 |
| **February Total** | | | | | | | | | | | | | | | | **$ 103,785.99** |
| **Monthly Totals** | | | | | | **$ 106,429.61** | **$ 107,664.87** | **$ 93,265.87** | **$ 73,877.76** | **$ 58,567.10** | **$ 32,823.68** | **$ 7,890.75** | **$ 3,032.81** | **$ 3,032.81** | **$ 3,032.81** | |
| **GRAND TOTAL** | | | | | | | | | | | | | | | | **$ 489,618.08** |

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Consideration and possible action to allow Authority staff to amend the charter contracts to extend the high stakes reviews of Beacon Academy of Nevada and Nevada Virtual Academy from March 25, 2016 to the April 29, 2016 Authority meeting contingent upon amendment request from the schools' governing bodies**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 5
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 45 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

**1749 North Stewart Street Suite 40**
**Carson City, Nevada 89706-2543**
**(775) 687 - 9174 · Fax: (775) 687 - 9113**

# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin and Adam Johnson

**SUBJECT:** Amendment of Contracts to Permit Postponement of High Stakes Reviews to April 29

**DATE:** February 22, 2016

## Background:

The Authority imposed the High Stakes Review of Beacon Academy of Nevada as part of its resolution renewing the school. Subsequently, Beacon requested an amendment to its enrollment and agreed to the postponement of the High Stakes Review to the first quarter of calendar year 2016. At Beacon's request, staff agreed to schedule the High Stakes review for the March meeting to permit the school the maximum amount of time to assemble evidence for consideration by the Board.

In late January, Beacon Academy of Nevada inquired of staff regarding the postponement of its high stakes review from March 25, 2016 to April 29, 2016 to allow for greater participation of parents, students, staff, and board members who are otherwise out of town due to Spring Break and Good Friday. As a postponement would have scheduled the High Stakes Review to a period outside of the first quarter of 2016, staff advised that this change was not possible.

Beacon Academy of Nevada subsequently contacted the Board Chair and requested additional consideration of their request. Based on consultation with staff and counsel, it was determined that if a postponement is to be offered to Beacon, the same opportunity must be afforded to Nevada Virtual Academy.

## Recommendation:

The Board Chair recommends directing staff to offer both Beacon and Nevada Virtual the opportunity to amend their charter contracts to provide for the postponement of the High Stakes review to the April 29, 2016 board meeting. The due date for any such amendment request is March 11, 2016. In the event that the schools accept that opportunity, staff are authorized to amend the charter contracts.

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Consideration and possible action to direct Authority staff to issue Notices of Closure to Beacon Academy of Nevada, Nevada Connections Academy and Nevada Virtual Academy pursuant to NRS 386.535**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 6
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 60 mins**

**SUBMITTED BY:** _____

STATE OF NEVADA

OFFICE OF THE ATTORNEY GENERAL

100 North Carson Street
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February 24, 2016

**VIA EMAIL**

Mr. Patrick Gavin, Director
State Public Charter School Authority
1749 North Stewart Street, Suite 40
Carson City, Nevada 89706-2543
pgavin@spcsa.nv.gov

Re: Amended Agenda

Dear Patrick:

After the amended agenda was posted for the upcoming February 26 State Public Charter School Authority (the "Authority"), I received telephone calls from counsel for Beacon Academy, Nevada Virtual Academy, and Nevada Connections Academy, all expressing concern regarding the difficulty their respective clients would have in preparing for the board's discussion about the possible issuance of a notice of closure at the February 26 agenda. Some also expressed concern that the Authority would consider this at a meeting where I would be unable to attend because of previous travel plans. As you and I have discussed, there is no statutory requirement for schools to receive any notice of the Authority's contemplation of a notice of closure. The Notice of Closure instead serves to send notice to the schools of the board's consideration of closure of the school. However, considering the number of schools that could be subject to issuances of notice of closure under the SB 509 requirements, the Authority's desire to that schools have an ability to participate in the accountability process, and the presence of substitute counsel at the February 26th board meeting, I would recommend that the Board postpone action on these items until the March 25 meeting and that this recommendation be communicated to the schools immediately so that their concerns regarding immediate action can be alleviated. This recommendation is in no way a

reflection of the legal ability of the Board to take action on these items. As you know, I will be out of the office tomorrow, so if you would like to discuss please give me a call today.

Best Regards,

ADAM PAUL LAXALT
Attorney General

By: _____

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GDO:htc

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Consideration of SPCSA Board and Agency duties, policies and procedures**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 7
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 30 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

**1749 North Stewart Street Suite 40**
**Carson City, Nevada 89706-2543**
**(775) 687 - 9174 · Fax: (775) 687 - 9113**

# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin

**SUBJECT:** Agency Duties, Policies, and Procedures

**DATE:** February 22, 2016

Background:
Previous state-mandated Agency policies were developed by the Director pursuant to Executive branch policy. Due to recent changes in the role of the SPCSA Board, the Governor's Office of Finance provided agency staff with previously approved Agency Duties, Policies, and Procedures templates and recommended additional changes that reflect unique features of the Board and the Agency.

Recommendation:
Staff recommends approval of the attached Duties, Policies, and Procedures and requests authorization to forward these policies to the Governor's Office of Finance and the Legislative Counsel Bureau as requested to support enhancements to the Agency budget, including facilitating timely reimbursement for Board travel on Authority business.

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

**1749 North Stewart Street Suite 40**
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# Board and Agency Duties, Policies and Procedures

## Revised February 2016

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# I. INTRODUCTION

Nevada Revised Statutes (NRS) 386.509 creates the State Public Charter School Authority (SPCSA). Overseen by a seven-person Board and staffed by an Executive Director and Agency staff, the Authority has three legislative purposes:

1. Authorize charter schools of high-quality throughout this State with the goal of expanding the opportunities for pupils in this State, including, without limitation, pupils who are at risk.

2. Provide oversight to the charter schools that it sponsors to ensure that those charter schools maintain high educational and operational standards, preserve autonomy and safeguard the interests of pupils and the community.

3. Serve as a model of the best practices in sponsoring charter schools and foster a climate in this State in which all charter schools, regardless of sponsor, can flourish.

These Duties, Policies and Procedures have been adopted by the Board for the general direction and information of Board members and Agency employees and can be amended, varied, or temporarily suspended at the discretion of the Board by motion passed in an open meeting. As used in this document:

- Board means the SPCSA Board members
- Agency means the SPCSA agency and its employees
- Authority means both the Board and the Agency
- Personnel means both Board members and agency employees

# II. POLICY STATEMENT

## A. INTRODUCTION

A comprehensive ethics policy must provide the Board members and Agency employees with functional guidelines within which to conduct themselves as representatives of the Authority. The policy must encompass the legal requirements placed upon public servants (in this case, the Nevada Ethics in Government Law found at NRS 281A) and provide the tools with which to apply these somewhat complicated restrictions.
This document is a compilation of guidance offered by the Nevada Ethics in Government Law and Board policy. It is intended as a tool to assist the individual Board members and Agency employees in evaluating situations in which fiduciary concerns and ethical considerations may arise.

## B. FRAMEWORK

In order for a fiduciary policy to have meaning for Board members and

Agency employees, a framework within which the policy is to be applied must be described.

Board members are entrusted with the responsibility of exercising their duties in a fashion that ensures efficiency, legal compliance and the proper operation of the Authority. Board members are recruited from various areas of expertise relating to education. The requirements that the Board and the Agency operate within are the cornerstones of efficient and effective administration and are essential.

Accountability is paramount in the public sector. Board members and Agency employees not only have to deal with accountability demanded by the public at large, they must also be accountable to their peers, and to the participants. To avoid the perception of misuse of influence, the Board members must be willing to adopt Duties, Policies, and Procedures that preclude and inhibit misconduct, eliminate the wasteful use of resources, and embrace the concepts of sound cost effective measures, both as to the Agency employees and as to their personal involvement as Board members.

The policy is designed to enable the Board members, and Agency employees, to seek counsel, to remain inquisitive and to exercise their functions with the prudence demanded of them in the public sector.

C. GUIDING PRINCIPLES OF CHARTER AUTHORITY ADMINISTRATION

1. Service to the students enrolled in Authority schools and to the people of Nevada is the primary function of the Board and the Agency. Board members are charged with authorizing high quality public charter schools. They are in a position of public trust and are to act for the exclusive benefit of the people of Nevada and in service of the Authority's vision of a high quality public school seat for every Nevada child. Participants have the right to expect that Board members will act with integrity, objectivity, independence, prudence and due care. Objectivity is a principle which imposes the obligation to be impartial and intellectually honest. Independence precludes relationships that may appear to impair a Board member or Agency employees objectivity in rendering authorizing services.

2. In those situations where the law is not clear, the best interests of the Authority must be served. Conscience is critical. Good ends never justify unethical means.

3. Efficient and effective administration and Authority management are basic to administration of a state agency and a local education agency. Misuse of influence, fraud, waste or abuse is unacceptable conduct.

4. Safeguarding the Authority is paramount. Conflicts of interest, bribes, gifts or favors which subordinate Board members and Agency employees to private gains are unacceptable.

5. Service to the Authority demands special sensitivity to the qualities of courage, honesty, equity, competence, and drive for results.

6. Timely and energetic execution of fiduciary responsibilities is to be pursued at all times by Board members and Agency employees.

## III. ETHICS

### A. NEVADA ETHICS IN GOVERNMENT LAW

As public officers appointed by the Governor, Legislative leadership, and the charter school community, Board members and Agency employees, respectively, are subject to the provisions of the Nevada Ethics in Government Law, NRS Chapter 281A.

Board members and Agency employees are encouraged to review the entire Ethics in Government Law. The keys to interpretation of the ethics statutes are reasonableness, objectivity and disclosure. Prohibition of activity is not the mainstay of the statute. If any Board member or Agency employee has questions concerning situations, they should consult with the Deputy Attorney General assigned to the Board and the Agency. Additionally, should a Board member or Agency employee desire to seek the opinion of the Ethics Commission regarding a specific situation, he or she is encouraged to do so. The Board may also require the seeking of such an opinion should the facts warrant it.

1. Board and Agency Policy
   a. The purpose of this policy is to inform Board members and Agency employees of the statutory mandates regarding ethics and to provide guidance concerning ethical standards for Board members and Agency employees in the performance of their duties.

   b. It is the policy of the Board and the Agency that maintenance of the highest standards of honesty, integrity, impartiality, and conduct of its Board members and Agency employees is essential to assure the proper performance of business and to maintain the confidence of the Authority's stakeholders.

c. Serving as a Board member or Agency employee is a public trust and duties shall be performed to the benefit of the people. Board members and Agency employees shall conduct all their duties in accordance with sound judgment and a sense of the highest business, legal, and ethical standards. Each Board member and Agency employee is personally responsible for abiding by this policy and promoting an individual and organizational ethical environment.

d. Board members and Agency employees shall conduct themselves in such a manner that the work of the Authority is efficiently and effectively accomplished. Board members and Agency employees shall be courteous, considerate, and prompt in fulfilling their duties. Board members and Agency employees shall conduct themselves in a manner that will not bring discredit or embarrassment to the Authority or the State of Nevada. Board members and Agency employees shall conduct all official activities in a manner which is above reproach and free from any indiscretions, including the acceptance of gratuities or favors, which would cast doubt or suspicion upon them or the Authority.

e. Ethical conduct/standards are defined as the principles which govern an individual or group in conformance with accepted professional standards of conduct.

f. Integrity, honesty, and ethical conduct are the responsibility of each Board member and Agency employee. Ethical considerations should be a priority in all decision making.

g. Board members and Agency employees shall review and will perform all their duties in strict conformity with all relevant laws as described in NRS Chapter 281A, dealing with the general provisions relating to public officers and employees, as well as any applicable regulations, directives, internal controls, procedures, and the State personnel manual. Any questions regarding these provisions should be directed to the Administrative Services Officer.

h. As public servants, Board members and Agency employees shall avoid conflicts of interest and shall use the powers and resources of their office only to advance public interests and not to attain personal benefits or pursue other private interests incompatible with the public good.

i. By way of illustration, but not limitation, the following

exemplify prohibitions pursuant to these Duties, Policies, and Procedures. Refer to and review NRS 281A.400 for further provisions of prohibited conduct.

(i) No Board member or Agency employee may use his or her position for personal advantage, for the advantage of any other person, or to promote any actions contrary to the Board and the Agency's stated ethical standards.

(ii) No Board member or Agency employee may disclose information regarding business developments of a confidential nature received in the course of his or her duties except in the authorized performance of those duties. Board members and Agency employees shall not attempt to take advantage of such information for themselves or any third party.

(iii) Any Board member or Agency employee who owns any interest in or securities of any entity subject to the business interest of the Authority shall not vote or participate in any Board or Authority decision involving that business. Nevada is a community property state and for that reason, spousal ownership could also potentially result in a conflict of interest or the appearance of impropriety.

(iv) Any Board member or Agency employee who is an employee or member of the governing body of a charter school shall not vote or participate in any Board or Authority decision involving that charter school.

j. A Board member or Agency employee should not take any action if he or she is doubtful of its propriety. In the event there is a question about the propriety of a given action or a concern about a potential conflict of interest, the Board member shall discuss the situation with the Chair or assigned Deputy Attorney General. Agency employees shall discuss the situation with the Administrative Services Officer or the assigned Deputy Attorney General. The Chair or Administrative Services Officer shall use the assigned Deputy Attorney General to assist in determining a proper course of action.

k. The following questions should be considered in determining the proper course of action:

(i) Is this action legal?

(ii) Is there a directive, internal control, or procedure against this course of action?

(iii) Even if this action is legal and there is no directive, internal control, or procedure against it, is the action nevertheless unethical, a conflict of interest, or may it be perceived as such? Although these considerations are a matter of judgment, if there is any doubt, the issue should be decided conservatively.

l. If the Chair, Administrative Services Officer, or assigned Deputy Attorney General cannot resolve the ethical question, the question should be referred to the Commission on Ethics.

Commission on Ethics
704 W. Nye Lane, Suite 204
Carson City, Nevada 89703
Telephone: 775-687-5469
Fax: 775-687-1279
Email: ncoe@ethics.nv.gov
Website: http://ethics.nv.gov

m. As role models for ethical behavior, it is important that Board members, Agency executive staff, and others in supervisory positions communicate to Agency employees information regarding ethical conduct and exemplify the same standards in their actions. The example set by Board members, Agency executive staff, and others in supervisory positions communicates the Board and the Agency's ethical standards more effectively than any other means of communication.

n. The Agency executive staff and others in supervisory positions are to ensure that all Agency employees are familiar with these Duties, Policies, and Procedures and understand the importance of compliance. Discussion of ethical problems and issues is encouraged.

o. Board members and Agency employees are responsible for reporting suspected ethical violations to the Chair, Administrative Services Officer, or Deputy Attorney General, as appropriate.

p. Board members and Agency employees may not accept personal gifts and gratuities from contractors bidding on an

open Authority request for proposal (RFP). For practical reasons, gifts that cannot be returned to the sender will be donated to a local charity.

q. Board members and Agency employees may not accept personal gifts and gratuities from applicants applying to open a new charter school, amend a written charter contract, or renew a written charter or charter contract. For practical reasons, gifts that cannot be returned to the sender will be donated to a local charity.

r. Board members and Agency employees may accept personal gifts and gratuities from Authority contracted vendors.

However, the value of individual gifts and gratuities may not exceed $25.00.

s. Board members and Agency employees may accept personal gifts and gratuities from Authority schools.

However, the value of individual gifts and gratuities may not exceed $25.00.

t. Board members and Agency employees may not accept meals from contractors bidding on an open Authority RFP or from contractors or vendors that are named in or are expected to benefit from an Authority decision related to a charter application, charter amendment, or charter school renewal.

u. Board members and Agency employees may accept meals from Authority contracted vendors or from contractors or vendors who are not named in or are not expected to benefit from an Authority decision related to a charter application, charter amendment, or charter school renewal.. However, the value of individual meals may not exceed $25.00.

v. Board members and Agency employees may not accept travel or lodging from contractors bidding on an open Authority RFP or from contractors or vendors that are named in or are expected to benefit from an Authority decision related to a charter application, charter amendment, or charter school renewal.

w. Board members and Agency employees may accept travel or lodging from Authority contracted vendors or other organizations if such travel or lodging is required in the performance of their duties for the Authority.

x. Business meetings, such as applicant orientations, school governing body and school staff trainings, task force meetings, conferences, staff meetings, planning meetings, etc., may, in the interest of efficiency, be conducted at a school, an education management organization location, or a contracted vendor's facility at no cost to the Agency as long as the expenses incurred by the host
are customary and not intended to improperly influence a reasonable person.

y. Board members and agency employees must report the value of all meetings, travel, lodging, and meals incurred in the course of travel pursuant to subsections w or x of this section to the Administrative Services Officer for inclusion in the budget building process for the next biennium and as justification for work program requests.

z. If the cumulative value of gifts, meals, travel, and lodging from a single school, applicant, education management organization, or contracted vendor exceeds $200.00 in a calendar year, the recipient may be required to file a Financial Disclosure Form with the Secretary of State.

B. SEXUAL HARASSMENT

1. The Board hereby adopts the Office of the Governor Policy Against Sexual Harassment and Discrimination dated October 1, 2011 available at http://hr.nv.gov/Resources/Perds/2011/2011_PERDS/_PERD #42-11and as amended thereafter.

## IV. BOARD GOVERNANCE

A. Official Board action may only result from a majority vote of the Board members present at a legally constituted Board meeting.

B. The Board shall always conduct business in accordance with the Nevada Open Meeting Law, statutory and regulatory provisions, and current Duties, Policies, and Procedures, as applicable.

C. The Board shall establish Duties, Policies and Procedures regarding matters that are not specifically enumerated in statute or regulation.

D. The Board members shall refrain from directly involving themselves in the duties of the Executive Director.

E. The Board shall evaluate the Executive Director annually or more often if circumstances warrant. The performance evaluation is conducted coinciding with the annual strategic planning process (even fiscal years) or "fine tuning" process (odd fiscal years). The Board goal in evaluating the Executive Director's performance is to "speak in one voice" after reaching consensus about performance and to provide constructive feedback, appropriate counseling and coaching designed to improve the Executive Director's effectiveness and Authority success. A vote of confidence or no confidence shall be rendered. The criteria shall include but not necessarily be limited to the following:

1. A review of performance measurements as outlined in the Authority Strategic Plan.

2. A discussion of the Executive Director's knowledge of the school portfolio, its academic achievement, and authorizing in general.

3. The Executive Director's ability to recognize critical issues and prioritization.

4. Communication with the Board.

5. Relationships with the Governor, Legislators and their respective staffs.

6. Leadership and managerial capabilities as it relates to management of Agency staff and the Authority.

7. A brief discussion of measures taken to enhance and develop key staff members.

8. Budgeting.

9. Progress under the strategic plan.

F. The Board shall conduct a self-evaluation annually at the same time as the Executive Director evaluation. The process shall include a personal self-evaluation that each Board member undertakes privately without sharing the results, and an overall evaluation of the entire Board's performance, which is shared with all Board members. The evaluation may include but not be limited to:

1. Attendance at Board meetings.

2. Preparedness for discussions at meetings.

3. Ability to make sound decisions.

4. Interaction among Board members.

5. Interaction with the executive staff.

6. Policy development and policy compliance.

7. Oversight and monitoring activities

8. Strategic thinking and planning.

G. The Board and/or Agency shall ensure that all legally required reports and reviews are completed and submitted to the appropriate agency in a timely manner.

## V. INDIVIDUAL BOARD MEMBER RESPONSIBILITIES

A. Board members are responsible for attending all Board meetings.

B. Board members are not empowered to officially act on behalf of the Board except as directed by Board action.

C. Board members are responsible for learning law, regulation, and best practices pertaining to charter school authorizing, the Duties, Policies, and Procedures, and other official policies.

D. Board members shall conduct their affairs in such a manner that they always represent the best interest of the Board. To fulfill these functions satisfactorily, individual Board members must exercise utmost judgment, discretion, and tact in order to ensure good public relations, and to avoid any possible misunderstanding regarding actions as an individual as opposed to actions as a Board member.

E. Board members are not expected to be recognized as experts, but rather are expected to consider the advice of experts.

F. Board members shall refrain from making commitments to any individual or entity regarding any matter that is scheduled for consideration by the Board as a whole, or any matter that could jeopardize the united effort of the Board.

G. Board members shall refrain from performing any function delegated or normally assigned to Agency employees.

H. Board members shall direct their inquiries which may occur outside of a Board meeting to the Agency through the Executive Director or Administrative Services Officer.

I. The response to correspondence addressed to the Chair shall be prepared by Agency employees and signed by the Chair.

J. The response to correspondence addressed to the Board shall be prepared and signed by Agency employees on behalf of the Board.

## VI. AGENCY ADMINISTRATION

A. The Board authorizes the Executive Director or his or her designee to provide official press releases and to answer questions from the press and other news media.

B. The Board authorizes the Executive Director or his or her designee to carry out all administrative functions of the Agency, including but not limited to:

1. Performance management of all charter schools in accordance with authorizing agency best practice, the Performance Framework adopted by the Board, and applicable law and regulation.
2. Financial management of all accounts receivable, accounts payable, and budgetary compliance related to the Authority's role a state governmental office.
3. All charter contract, Agency personnel, operational and vendor contract compliance matters.
4. Interpretation of all Nevada Revised Statutes and Nevada Administrative Code in performing all functions of the Agency.
5. Approving all charter amendments which can be delegated to Agency staff pursuant to applicable law or regulation.
6. Applying for categorical or competitive grants from the Federal government, private donors, and other granting organizations.
7. Developing recommendations, and approving applicable items pertaining to charter application, charter amendment request, and other charter authorizer documents.
8. Representing the Agency to other State entities, including all branches of government.
9. Developing strategic partnerships with other authorizers, charter school and education advocacy groups, and non-

profit organizations which provide services to improve the academic, financial, or organizational performance of charter schools.

10. Awarding and executing vendor contracts pursuant to state law and regulation.

C. Consistent with Board policies and direction, the Agency shall work with the Department of Administration, the Governor's Office and the Legislature to ensure that the Authority is funded in a manner consistent with its statutory fee authority.

D. Policy changes pursuant to the Agency's Local Education Agency (LEA) authority may be considered by the Board based upon the recommendation of Board members or the Agency. If the Board changes policies, the Agency shall notify schools of these changes.

E. Distribution of these Duties, Policies, and Procedures

1. The Executive Director shall ensure that new board members receive a rigorous new member orientation as soon as practical after the appointment. Such orientation is in the best interest of the Board and the Authority and shall include at a minimum the following:

   a. History and overview of the SPCSA, charter schools, and charter school authorizing

   b. A review of the schools authorized by the SPCSA

   c. Authorizing responsibility of the board member and the standards that imposes.

   d. Board governance for the SPCSA including Duties, Policies and Procedures adopted by the Board.

   e. A review of other precedent established by Board action.

   f. The role of staff and the Executive Director and the role of the Board.

   g. Special terminology applicable to charter schools and charter school authorizing.

   h. The charter application, amendment, and renewal process.

   i. Current issues related to the SPCSA and charter schools.

j. The SPCSA Strategic Plan.

k. An office tour and introduction to staff.

2. Each Board member shall acknowledge his or her understanding of the material by signing the "Acknowledgment Form for Board Members."

3. The signed Acknowledgment Form must then be provided within 10 working days. The Executive Director is responsible for ensuring the completion and filing of a signed Acknowledgement Form from each Board member.

4. The Administrative Services Officer shall ensure that these Duties, Policies, and Procedures are given to all current Agency employees and any new Agency employee within 10 working days of their hire with the Agency.

5. Each Agency employee shall acknowledge his or her understanding of the material by signing the "Acknowledgment Form for Employees."

6. The signed Acknowledgment Form must then be returned to the Administrative Services Officer within 10 working days. The Administrative Services Officer is responsible for ensuring the completion, and filing, of a signed Acknowledgement Form from each Agency employee.

F. Requests for Information - A special request from Board members that requires significant agency resources, as determined by the Executive Director, must be approved by the Chair before the staff shall be required to act upon the request.

## VII. CONTRACTS

A. PURPOSE, AUTHORITY, AND POLICY

1. The purpose of this policy is to establish procedures for the contract process, contract maintenance and contract extensions.

2. The authority for the policy is NRS 333.311 and 333.335; NRS 287.04345; Nevada Administrative Code (NAC) Sections 333.150, 333.155, 333.160 and 333.162; and State Administrative Manual (SAM) Sections 0308.0; 0314.0; 0316.0; 0318.0; 0320.0; 0322.4; 0324.0; 0326.6; 0336.0; 0338.0; 0342.0; 0344.0; 0516.0.

3. The Fiscal/Operations Staff oversee the contracting process for all contracts that the Authority enters into for services.

a. The preliminary contract proposal, the contract negotiation, the final contract and the later upkeep of terms are all duties assigned to thisunit. It is the responsibly of the Administrative Services Officer to respond to contracting needs originating in SPCSA.

B. DEFINITIONS

1. Request for Proposal - A written statement which sets forth the requirements and specifications of a contract to be awarded by competitive selection pursuant to NRS 333.020(8).

2. Contract - A binding agreement between two or more persons or parties; especially one legally enforceable; a business arrangement for the supply of goods or services at a fixed price.

C. REQUEST FOR PROPOSAL AND SELECTION OF VENDOR

1. When a current contract is scheduled to expire, or a new service is required, an RFP is developed byFiscal/Operations Staff.

2. Prior to the release of an RFP, the Executive Director shall provide direction to staff regarding services to be provided by vendors.

3. The Administrative Services Officer or SPCSA Contract Manager along with State Purchasing Division (Purchasing) will do the following.

a. Create the RFP

(i) Determine criteria for service needed to include but not be limited to: Overview and Scope of Work, vendor questions, performance standards and guarantees and financial penalties. Resources are existing RFP's, internet, consultants, and Purchasing.

(ii) Create draft RFP. Administrative Services Officer finalizes draft document.

(iii) Coordinate with the Agency to develop scoring criteria and weights for the Evaluation Committee.

(iv) Develop score sheets and instructions for scoring each vendor.

b. Coordinate with the Agency to recruit RFP Evaluation Committee members. Evaluation Committee will include

SPCSA Staff and Individual(s) from other state agencies. The Evaluation Committee may include person(s) who are not employees of the state and possess expert knowledge or special expertise that the Agency or the Administrator of the Purchasing Division determines is necessary to evaluate a proposal.

c. Coordinate with Purchasing.
   (i) Draft RFP document, any necessary attachments and scoring/weight information are sent to Purchasing, along with Evaluator names, telephone numbers, fax numbers, mailing addresses and email addresses.

   (ii) Timelines for release of RFP, response to questions from vendors, close of RFP, review of vendor proposals and selection of vendors is coordinated with Purchasing.

   (iii) Purchasing reviews, edits, reformats RFP document, and creates agreements with Evaluators and Authority Board members if a second level evaluation is determined.

   (iv) Purchasing publicizes RFP on Purchasing website and in other media.

d. Vendors respond to Purchasing or SPCSA as appropriate.

e. Evaluation and Selection Period.
   (i) Purchasing/SPCSA coordinate Evaluation Committee meeting with Evaluators.

   (ii) Purchasing/SPCSA coordinate interviews with vendors, if indicated in the RFP to be part of the selection process.

   (iii) Evaluation Committee selects recommended vendor from RFP responses.

   (iv) The Executive Director shall review any recommendation for awarding a contract submitted and may either approve the recommendation of the Chief of the Purchasing Division or of the Evaluation Committee and award the contract as recommended.

(v) Subsequent to the Executive Director's approval, the Purchasing Division or SPCSA will post the Intent to Award document.

D. CONTRACT PROCESS

1. The Administrative Services Officer is responsible for negotiating binding contracts with service provider vendors when the RFP process is successful.

   a. The Administrative Services Officer will coordinate with the Agency to negotiate contract terms, fees and responsibilities with vendor.

   b. The Administrative Services Officer will coordinate completion of contract with Purchasing.

   c. The Contract Manager or the Purchasing Division will create copies of Contract Summary.

   d. The Contract Manager or the Purchasing Division will create at least three copies of Contract.

   e. The Contract Manager or the Purchasing Division will coordinate required contract signatures.

   f. The Contract Manager will present Contract Summary to Administrative Services Officer for review. The Administrative Services Officer will indicate approval in Nevada Contract Entry and Tracking System (CETS).

   g. The Contract Summary and Contract are forwarded to Executive Director for review and signature.

   h. The Contract Manager or the Purchasing Division will forward the Contract via overnight mail or email to the vendor for signature.

   i. Upon return of the signed contract, the Contract Manager or the Purchasing Division will coordinate review and obtain signature by the SPCSA Deputy Attorney General or the Purchasing Attorney General.

   j. After all signatures have been obtained, the Contract Manager or the Purchasing Division will send the Contract and Contract Summary to Board of Examiners for

approval.

k. Once Board of Examiners approves contract, the Budget Division completes final entry of the Contract into CETS.

l. The original copies of the Contract and Contract Summary go to SPCSA, Purchasing and vendor. Copies of the Contract and Contract Summary go to SPCSA Accounting Section.

m. Contract is valid if necessary signatures and approvals have been obtained.

E. CONTRACT MAINTENANCE

1. The Contract Manager and Administrative Services Officer are responsible for monitoring all vendor contracts and completing:
   a. Regular status reports to SPCSA Executive Director with any notifications of contracts needing attention, i.e., upcoming termination dates, etc. as needed.

   b. Updates to the Nevada Contract Entry and Tracking System (CETS), as needed.

   c. Audits in coordination with the Accounting Section of vendor invoices, including the entire quarter for all new contracts and random monthly audits for current contracts on quarterly basis.

2. The Contract Manager or Administrative Services Officer will report discrepancies and assist with their resolution.

F. VENDOR SERVICE PERFORMANCE STANDARDS

1. Service performance standards will be included in all contracts. The specific standards will depend upon the type of service(s) being contracted.

2. Financial Guarantees - Percentage guarantees will be determined by type of services provided by vendor

G. VENDOR CONTRACT EXTENSIONS

1. The standard term for the contract is four years.

2. As needed or one year prior to the termination date of the vendor

contract when the contracted vendor has satisfied their contractual obligations as indicated in the contract performance standards, a vendor contract may be extended.

a. The Administrative Services Officer will determine if extending vendor contract will benefit the State of Nevada and the SPCSA using the following criteria.
   (i) Has the vendor satisfied contract performance standards?

   (ii) The length of the contract extension.

   (iii) The monetary amount for the extension period.

b. The Contract Manager will create the Contract Summary and Contract and will process these documents as outlined above.

## VIII. EDUCATION

### A. BOARD, EXECUTIVE DIRECTOR, AND CORE AUTHORIZING AND LOCAL EDUCATION AGENCY STAFF

1. Board members, the Executive Director, and all staff designated by the Executive Director as having core authorizing or local education agency duties must complete the following professional development activities:
   a. Each member of the Board and the Executive Director shall complete at least 40 hours of continuing education relating to charter schools, charter school authorizing, and education policy.
   b. Each Agency staff member designated by the Executive Director as having core authorizing or local education agency duties shall complete at least 24 hours of continuing education relating to charter schools, charter school authorizing, and education policy.
   c. While attending courses of continuing education, applicable travel reimbursement may be provided in compliance with the Agency travel policy.
   d. Professional development hours can be attained through attendance at the National Association of Charter School Authorizers, the National Charter Schools Conference, regional charter schools conferences sponsored by charter school support associations in this and other states, and conferences sponsored by the US Department of Education related to charter schools.
   e. To ensure that there is no perception of a violation of the open meeting law, no more than three members of the Authority board may attend the same professional

development activity, including a conference, which is held out of state, at the same time.

f. These educational requirements must be accomplished over the course of a fiscal year.

2. The Board and Agency employees are encouraged to coordinate and provide classes that would meet the requirements for Board members and Agency employees.

B. AGENCY EMPLOYEES

1. Eligibility

a. All Agency employees are eligible.

b. Classes or courses taken that do not lead to a degree must be directly related to the Agency employee's position and related duties at the time of enrollment or to charter schools, education policy, or performance management.

c. Classes required for a degree directly related to charter schools, education policy, education law, or the administration of public agencies and similarly complex non-governmental entities are eligible.

2. Reimbursement

a. Reimbursement for fees and course materials will be made upon successful completion. Reimbursement will be made for a maximum of one course per quarter/semester. Successful completion is defined as:

(i) Receiving a grade of C or better;

(ii) Receiving a passing grade if the designation is pass/fail; or

(iii) Receiving a certificate of completion.

b. A written request for training must be completed and approved by the supervisor; Administrative Services Officer, if the training has associated costs; and the Executive Director prior to enrollment. In the event that the request is made by the Executive Director, the approval must be made by the Board Chair.

c. Reimbursement for training may not exceed the budgeted amount each fiscal year.

3. Release Time

a. Release time may be granted for classes or courses meeting

the requirements of the policy.

b. Release time will not be granted for classes or courses which are available after work hours.

c. Maximum release time is four hours per week.

d. All Agency employees will be afforded the opportunity of up to four hours per week release time provided that:
   (i) Requirements of the policy are met, and

   (ii) Release time will not have a negative impact on the operations of the Authority.

e. Any additional time off must be made up and that request must also be approved by the supervisor.

4. The Agency may provide or send employees to training classes and conferences related to charter schools, school operations, school finance, school law, education policy, or public administration.

## IX. TRAVEL

### A. PURPOSE, AUTHORITY, AND POLICY

1. The purpose of this policy is to establish procedures for authorization and approval of all travel and provide required forms. Only in exceptional circumstances, with documented pre-approval from the Executive Director, will a traveler be able to travel outside these parameters. All travel exceptions must be to the benefit of the state.

2. NRS 281.160 outlines the State's statutes regarding travel and subsistence for State officers and employees. The State Administrative Manual (SAM) 200 outlines the Board of Examiner's travel policy which must be adhered to by all state employees in addition to their Agency travel policies. SAM 1400 contains guidelines for usage of Fleet Service (Motor Pool) vehicles.

3. SAM 0204.0 requires all travel be made by the least expensive method available considering all factors including travel time and salary, availability of motor pool vehicles and the cost of transportation and lodging. All travel and associated expense reimbursements must be related to approved State business.

   Personnel combining State business and personal travel must clearly delineate expenses associated with State business and those

relating to personal travel. Personnel requesting to leave early or return late from a business related trip (i.e., return Sunday evening instead of Friday afternoon) may do so as long as there is no additional cost to the Agency and no additional overtime related to the request. Personnel are expected to submit annual leave for hours not transacting State business.

Personnel with approved travel orders that require the staff member to travel on a Friday and the subsequent Monday may request reimbursement for lodging to stay in a travelled-to city for the intervening weekend provided that the cost of lodging does not exceed the cost of the travel the staff member thereby avoids. There can be no additional per-diem cost to the Agency and no additional overtime related to the request. Personnel are expected to submit annual leave for hours not transacting State business which fall within their regular work schedule.

Personnel who are not in either reporting or personal relationships may jointly request authorization to share lodging in support of cost savings. The staff member incurring the cost will be reimbursed for the lodging expense and a notation will be made on the reimbursement forms of both staff members indicating that the room was shared.

Personnel travelling to the same location are expected to share motor pool or rental vehicles when feasible. In the event that personnel are travelling to the same location and it will be necessary for staff or board members to be in separate locations at the same time, the use of a taxi service or public transportation to supplement the shared motor pool or rental vehicle is encouraged, unless these supplemental costs are expected to exceed the costs of renting an additional vehicle.

Due to the limited opportunities to obtain professional development related to charter schools and charter school authorizing within the State of Nevada, the Agency may send up to three board members and four staff members to those conferences identified by the Board and the Executive Director as being particularly relevant to those topics. Board members and staff who have been invited to present at conferences and who have received a discounted registration due to their participation may also attend. Board members who attend such conferences are required to report on insights gained from attending such conferences at a regularly scheduled board meeting. Staff who attend such conferences are required to report on insights gained at a regularly scheduled staff meeting. To maximize the benefits of such professional development, the Executive Director will rotate attendance assignments to each conference to ensure that as many

Board members and staff as possible are eligible to attend. To maximize savings to the state, registration and other reservations must be made by Agency staff as soon as practicable to take advantage of early bird rates and access conference lodging blocks, prior to the expiration of any discounted conference rates.

The Administrative Services Officer is responsible to ensure anticipated costs for this purpose are included as part of the agency biennial budget request and any necessary budget adjustments in the interim are submitted appropriately and timely as a work program request.

4. These policies and procedures are intended to augment not contradict the official SAM regulations. If a contradiction does exist, the SAM regulation supersedes. (SAM sections are referenced throughout this document where deemed appropriate.)

B. DEFINITIONS

1. Travel Status – A Board member or an Agency employee is in'travel status' if away from the Agency office and on official State business.

C. PROCEDURES

1. Authorization
   a. The Agency employee's Executive Staff supervisor shall authorize all travel. Completion of the Agency Travel Pre-Authorization form is required for all Agency employees. Budgetary authority must be verified by the Accounting staff prior to the commitment of any State funds. The Executive Assistant will provide a Board travel summary on a quarterly basis, in advance, and forward to the Accounting staff to verify budget authority.

      Authorization for the Executive Director shall be approved by the Board Chair if for out-of-state travel.

   b. Any travel arrangements which need adjustment or cancellation require the traveler to contact Agency staff as soon as the need arises.

2. Air Transportation
   a. All air transportation should be booked through any State authorized travel agent or directly with the airline, whichever is lowest cost.

b. The Agency departmental travel procurement card should be used to reserve and pay for all airline tickets.

c. Assigned Agency staff are responsible for making all airline reservations for Board members and agency staff. A copy of the itinerary will be forwarded to the traveler.

d. Pursuant to SAM 0217, flight bonus points earned by State agencies or employees as a result of State-paid air travel shall, whenever possible, be used by the agency to meet State travel needs.

3. Automobile Transportation

a. Motor Pool – SAM Chapter 1400 governs the policy for motor pool vehicle use. A motor pool car should be used whenever possible. Only State employees, board members, or other authorized persons may drive or be passengers of motor pool vehicles. Drivers of motor pool vehicles must attend a state sponsored defensive driving course every four years.

Motor pool vehicles may not be parked at an employee's home overnight without prior approval by State Motor Pool. Motor pool vehicles are available in Reno, Carson City and Las Vegas. Motor pool vehicles should be fueled at Nevada Department of Transportation locations or with a State credit card at designated gas stations. Credit cards and a list of locations may be obtained from State Motor Pool when picking up the vehicle. A personal credit card or cash should not be used to fuel the vehicle. If this occurs, the traveler will have to justify the expense in writing to the State Motor Pool along with the original receipt for reimbursement. Smoking is not allowed in motor pool vehicles.

b. Assigned Agency staff are responsible for making vehicle reservations for Board members and agency staff. A copy of the confirmation will be forwarded to the traveler.

c. Pursuant to SAM 1414, all accidents or incidents involving a State vehicle must be reported to the Administrative Services Officer or the employee's supervisor immediately when possible. The staff member notified will comply with required notifications to other State agencies.

d. Local Trips – If an employee is taking a trip under 75 miles, use of a motor pool vehicle is optional. Reimbursement for use of personal car will be made at the standard rate established by the Department of Administration. Reimbursement will be made for any miles driven in excess of an employee's normal commute. A normal commute is the roundtrip mileage between the employee's residence and their official duty station.

e. Personal Car – When an Agency employee uses his or her own car to accomplish State business at the request of or for the convenience of the Agency, the employee will be reimbursed at the standard rate established by the Department of Administration.

(i) When an employee uses his or her own vehicle for personal convenience, the employee will be reimbursed at one-half the standard reimbursement rate established by the Department of Administration (SAM 0212.5 for in-state travel and SAM 0214.6 for out- of-state travel). If an employee chooses to use his or her own vehicle to drive to a city serviced by an airline, the employee must be on either annual leave or compensatory time off for the extra travel time involved. Meals and/or expenses en-route will not be reimbursed. Mileage reimbursement will be based on the lesser amount of the actual mileage traveled or the cost of the airfare which would have been purchased. In the event of an accident or loss, the insurance on the personal vehicle is primary to all State coverage.

f. Rental Car – SAM 0218.0 requires the use of motor pool vehicles when traveling in-state unless the State Motor Pool gives written notice that motor pool vehicles are not available. When not available, or when traveling out-of- state, a rental car may be rented from companies with which the State has agreements. Collision damage waivers are included in the State's car rental agreements. If the individual wishes to purchase this additional coverage, it will be at the individual's expense. In the event an employee or board member driving an authorized rental car on State business is involved in an accident, the agency will be responsible for the deductible.

g. Assigned Agency staff are responsible for making vehicle reservations for Board members and agency staff. A copy of the confirmation will be forwarded to the traveler.

h. Public Transportation – If travel is by bus, taxi or limousine, an original receipt must be attached for reimbursement. Travel from air terminals should be by the most economical means available.

i. Expense Reimbursement Rates
   (i) SPCSA reimbursement rates, covered expenses and receipts policies for both in-state and out-of-state travel will be the same as those provided in SAM Chapter 0200.
   (ii) Pursuant to SAM 0204, all requests below 50 miles from duty station one way for meals or lodging must be made in writing and must be approved by the Executive Director prior to traveling. Exception for out of state travel by the Director must be made in writing and must be approved by the Board Chair prior to traveling.

   (iii) In order to qualify for meal per diems, the Board member or Agency employee must be in travel status during the following times:

| | |
|---|---|
| Breakfast | Depart at/ before 7:00 a.m.a.m. |
| Lunch | Departat/ before 11:00 a.m. and return after 1:00 |
| Dinner | Depart at/before 5:00 p.m. and return after 7:00 |

4. Travel Advances - SPCSA issues travel advances pursuant to SAM Chapter 0266 and 0234.

5. State Contracted Travel Credit Card – The SPCSA may issue State contracted travel credit cards pursuant to SAM Chapter 0230.

6. Travel Expense Claims
   a. Travel Expense Form - All claims for travel reimbursement to an individual must be filed on a *Claim For Travel Expense* form and include the traveler's original signature. By

signing the statement on the face of the form, the claimant is attesting to the completeness and accuracy of the claim. All claims are to be approved by the supervisor who approved the travel authorization. The supervisor's signature approves the necessity and payment for the trip, attests to the completeness and accuracy of the claim and validates the travel status of the employee.

(i) Travel Expense claims should be accompanied by all receipts, as required.

(ii) Flight itineraries and conference agendas should be attached to Travel Expense claims for meals justification.

(iii) Travel Expense claims for in-state travel should be filed within 30 days of travel completion. All out-of-state travel claims and any travel claim for which a travel advance was provided, must be submitted within 5 working days of returning from travel status.

(iv) Do not include supplies purchased on a trip on a Travel Expense claim. Request reimbursement on a separate signed request and include the appropriate authorization and original receipt.

(v) Mandatory phone charges at hotels will be reimbursed. Any calls charged to a hotel will be paid if each number called is marked with the person's name, organization and justifiable reason next to the charge.

b. Completed and approved Travel Expense claims with the traveler's original signature must be submitted to the SPCSA Accounting Assistant for processing. Travel Expense claims will be processed in accordance with Accounts Payable policies and procedures regarding non-reoccurring expenses other than contracts.

Internal control documents and other supplemental travel policy which define processes and assignments for agency staff will be maintained at Agency offices.

## X. LEGISLATURE

A. Board members and Agency employees shall work diligently and cooperate fully with the Legislature and its committees in any study made or information desired in relation to the operation, functions, or status of the Authority.

B. The Board may take a position on all proposed legislative matters affecting the Authority and direct Agency employees to make that position known to the Legislature. Board members who have business before the Legislature shall ensure that they identify when they are speaking on behalf of the Authority and when they are speaking in their personal or other non-Board capacity.

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Consideration of SPCSA Charter School Site Visit Protocol**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016

AGENDA ITEM: 8

NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 30 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

**1749 North Stewart Street Suite 40**
**Carson City, Nevada 89706-2543**
**(775) 687 - 9174 · Fax: (775) 687 - 9113**

# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin

**SUBJECT:** Site Visit Protocol

**DATE:** February 22, 2016

Background:
The NACSA review of the Agency's authorizing practices identified that the Authority has not adopted a site visit protocol and implemented a full set of site visits due to fiscal constraints.

Recommendation:
Staff recommends approval of the policy resolution identified below. Staff will continue to refine the attached Site Visit Protocol developed pursuant to the proposed policy and will forward this document to the Governor's Office of Finance and the Legislative Counsel Bureau as requested to support enhancements to the Agency budget during the current biennium and to justify additional investments of agency reserve funds during the budget building process for the upcoming biennium.

It is likely that additional refinements to this Protocol will be suggested during the upcoming business consulting engagement. Consequently, the policy also authorizes staff to make technical adjustments to this Protocol and submit those to the Governor's Office of Finance and the Legislative Counsel Bureau as the Agency deems necessary.

To support those aims, staff requests that the Board take the following action:

**"Whereas the State Public Charter School Authority has three statutory purposes:**

1) **To authorize charter schools of high-quality throughout this State with the goal of expanding the opportunities for pupils in this State, including, without limitation, pupils who are at risk;**
2) **To provide oversight to the charter schools that it sponsors to ensure that those charter schools maintain high educational and operational standards, preserve autonomy and safeguard the interests of pupils and the community;**

3) **To serve as a model of the best practices in sponsoring charter schools and foster a climate in this State in which all charter schools, regardless of sponsor, can flourish; and**

**Whereas the National Association of Charter School Authorizers has advised the Authority that implementing a robust site visit process designed to enhance the Authority's monitoring of school performance and provide additional evidence to support authorizing decisions will increase the Agency's adherence to best practices in the area of charter school authorizing and support its local education agency obligations; in a manner consistent with the Performance Framework; and**

**Whereas the State Public Charter School Authority functions as both the sponsor and local education agency for the schools it authorizes; and**

**Whereas site visits and monitoring are a desirable component of appropriate authorizing oversight during multiple points in the life cycle of a charter school, including but not limited to during the pre-authorization phase for applicants seeking to replicate or expand; during the first year of operation; at appropriate mid-points during the charter term, and as part of charter renewal; and**

**Whereas site visits and monitoring are a desirable component of appropriate local education agency oversight of special education and federal programs throughout the life cycle of a school; and**

**Whereas the Board has previously adopted a policy providing for the Board Chair to assign Board liaisons to each charter school and requiring the Executive Director to recommend appropriate on-site activities for Board members;**

**Now, therefore, the Board hereby adopts this policy providing for a Site Visit Protocol and directs staff to consult with the National Association of Charter School Authorizers on potential refinements and make appropriate adjustments to the Protocol in the coming months.**

**Staff are hereby also directed to forward this policy and the most recent version of the Protocol developed pursuant to this policy to the Governor's Office of Finance and the Legislative Counsel Bureau as supporting evidence for any proposed work program or budgetary enhancement."**

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

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# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## Charter School Site Visit Protocol

We would like to thank the Massachusetts Department of Elementary and Secondary Education
For allowing us to replicate and/or use parts of their original document for non-commercial educational purposes.

DRAFT

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## Overview

In conducting site visits, the State Public Charter School Authority (SPCSA or Authority) is carrying out the requirements of the Authority performance framework and NRS 386.5515, which outline the ongoing review of charter schools. Site visit reports, generated by the SPCSA, are important components of the body of evidence used by the Executive Director and Board of the SPCSA (Board) in making a renewal or expansion amendment determination for each school.

Site visits take place several times during a six year charter term and may be conducted at additional times when deemed necessary by the SPCSA. Site visits vary in length depending on the size, location, age, and/or specific conditions of a particular school. They are one of the means by which the SPCSA documents each charter school's performance and progress over time, corroborating and augmenting the information reported each year in the school's annual report. The *Charter School Performance Framework* (Framework) forms the foundation of this process and is the basis on which this Site Visit Protocol was written. During the site visit, the school will be assessed on a subset of the performance indicators contained in the Criteria (see Appendix B). The Criteria expand upon and give definition to the three areas of charter school accountability defined in NRS 386.528:

**Is the School Academically Successful?**

**Is the School Financially Viable?**

**Is the School an Effective Organization?**

A key component of charter school accountability is a school's performance framework and school performance plan. Site visit teams also look for evidence of progress toward meeting the objectives and measures each school is accountable for in its performance framework and school improvement plan.

The purpose of a site visit is to gather and document evidence about a charter school's performance in relation to the Criteria for accountability purposes.[1] Evidence gathered during the site visit process will ultimately be used to inform a renewal determination for the school. However, accountability decisions may be required prior to renewal processes if evidence points to deficits in the school's performance; this may include the imposition of conditions, probation, or revocation in the most serious circumstances. Site visits and subsequent site visit reports are not intended to provide technical assistance or other advice to the school. The site visit is also not intended to directly assist schools in making decisions about how to improve academic programs or operations.

**Purpose of the Site Visit Protocol (Protocol)**

This Protocol is designed to be a resource for charter school leaders, external site evaluators, the SPCSA staff, SPCSA Board Members and contracted vendors who may conduct site visits for the SPCSA. It articulates the types of visits, site visit processes, roles and responsibilities of all parties, and expected outcomes. The Protocol is meant to provide useful information about site visits so stakeholders and visitors can know what to expect and how to prepare. Familiarity with the Protocol will help visits run smoothly. At the end of the document, in Appendix A, is a checklist to assist schools in preparation for the site visit.

[1] The Year One Site Visit is an exception within the cycle of charter school oversight due to the technical assistance provided on aspects of the school's special education and English as a Second Language programming.

## Types of Site Visits

The SPCSA may not visit all schools on an annual basis. Site visits are conducted as frequently as necessary for accountability monitoring. The length and scope of site visits may vary depending on the school's age, size, location, and/or status (conditions or probation). The table below outlines each type of site visit and under what circumstances they might occur. Please refer to Appendix D for a detailed description of each type of visit, a list of required documentation, Criteria typically assessed, the length of visits, sample schedules, and focus group requirements.

| Type of Visit | Approximate Length | Typically Eligible Schools |
|---|---|---|
| **Pre-Authorization** | 1 day/site/up to 5days per Network | ☐Applicants seeking to replicate school models from other states<br>☐Applicants seeking to amend their current charter to add additional campuses<br>☐Nevada schools authorized by other sponsors seeking to replicate their school model under the SPCSA<br>☐Nevada schools authorized by other sponsors seeking to transfer sponsorship |
| **Year One** | 1 day/semester | ☐Schools in the first year of operation |
| **Full**[2] | 1 – 3 days/site | ☐ Schools in year two or three of an initial charter term<br>☐Schools in the first three charter terms<br>☐Multi-campus schools<br>☐Networks of charter schools |
| **Check-In** | 0.5 – 1 day | ☐Schools who have successfully completed 3 charter terms charter terms |
| **Targeted** | 0.5 – 1 day | ☐Schools in receipt of a Notice of Concern or Notice of Breach and schools which underperform based on statutory or regulatory criteria<br>☐Schools requiring a follow up visit for a sub- set of Criteria |
| **LEA Federal Program Audits and Technical Assistance** | 0.5 – 1 day per quarter and per program | ☐Schools which receive federal funds<br>☐Schools as required for special education case management<br>☐Schools requiring on-site technical assistance pursuant to the Authority's LEA status |
| **Liaison** | 0.5 – 1 day/quarter | ☐All Schools with a Board liaison-assigned by the Board chair |
| **Renewal Inspection** | 2 – 3 days | ☐Beginning in FY'18, each charter school also receives a renewal inspection visit, typically conducted in the fall of the sixth year of a charter term. These visits may be conducted by contracted external teams. |

[2] Please note: Visits to schools in their first charter term, large schools, and schools with more than one campus will generally receive longer site visits. Please see Appendix D and E for additional details.

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Please note, the above is a guide to the typical site visits conducted by the SPCSA. Additional site visits may be scheduled as needed by the SPCSA. The length and type of site visit and required elements will ultimately be determined by the SPCSA. The SPCSA will provide adequate notice to all schools of any scheduled visits but reserves the right to visit schools unannounced at any time during the charter term.

## Components of Site Visits

### Scheduling visit dates

The SPCSA typically conducts site visits between September and May. The SPCSA will notify schools of planned site visit dates and outline the type of visit to be conducted at least one week prior to each visit. If the SPCSA's proposed date creates a serious conflict for the school, the SPCSA and school will work to find a mutually agreeable alternate date. However, planned visit days are generally not changed unless a serious conflict exists. Once the school leader knows the day(s) of the site visit, s/he should relay that information to all relevant stakeholders and ensure that the day(s) selected have regular programming. **No school-wide testing or other events outside of the normal academic program should be conducted on the day(s) of the visit.**

### Pre-visit planning and preparation

The SPCSA assumes that the school leader will act as the coordinator and liaison for site visits; however, the school has the option of designating another person to assume this role. The visit coordinator should be knowledgeable of the school's schedule, be able to communicate quickly with various stakeholders, and work with colleagues to resolve any scheduling issues. The SPCSA works with the designated person to ensure that key documents are provided to the site visit team. A list of pre-visit documentation is found in the Checklist for School Leaders/Designees (Appendix A). Documents will be compiled and provided to each site visit team member prior to the visit, enabling team members to orient themselves to the school prior to the visit. Additional site visit preparation includes setting the schedule, organizing the appropriate stakeholders for focus groups, and coordinating logistics.

### Onsite documents

The school will be asked to make available (on the day of the visit) a number of documents to help the team refine questions and to serve as evidence to support findings. For details regarding required documentation, see Appendix A, Checklist for School Leaders/Designees.

### Visit team members

All site visit teams are led by an SPCSA staff member. The team leader facilitates the day and coordinates the efforts of additional visitors, who will include SPCSA staff, SPCSA board members, contracted evaluators, and/or external volunteers. External evaluators and volunteers who participate in site visits bring additional expertise to the team that may include fiscal management, curriculum or instructional experience, or an area specific to a school's mission.

### The day of the visit

During the site visit the team's work is guided by the Charter School Performance Framework as well as applicable federal and state mandates. Team members conduct focus groups, interviews, observe classrooms, conduct a document review, and meet to formulate preliminary findings and ratings. Further, classroom observations are informed by the school leader's oral and written description of teaching and learning at the school and the SPCSA's classroom observation forms.

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## Creation of findings

The site visit team is charged with gathering evidence and data that show the school's progress toward meeting its school performance plan goals and the performance indicators set out in the Criteria. In the afternoon of the visit's final day, the team reflects on the evidence and data collected and creates preliminary findings. These findings are used to rate the school on its performance relative to the Criteria.

## End of visit report-out

At the end of the day, the team leader shares a brief report-out guided by the Criteria. The team leader's statements do not make suggestions for improvement or direct the school to change operations or programs. Please note that any analysis presented during the initial report-out is preliminary and that not all of the Criteria will be addressed; during the site visit report writing process the team leader will conduct additional analysis of available evidence. The final report will contain ratings and findings of a sub-set of the Criteria as dictated by the kind of visit.

## Site Visit Report

After the visit, the SPCSASPCSA or authorized representative prepares a written report that presents the team's ratings, findings and the supporting evidence. Site visit team members review the report to ensure that it is factually accurate and reflects the collective thoughts of the team. The team leader incorporates corrections and issues a draft report to the school. The school has one week from the date of the issuance for the report to report factual inaccuracies to the SPCSA. These factual corrections are made and a final report is issued to the school. If the school chooses, a response to the site visit report may be submitted in writing to the SPCSA. This response and the site visit report become a permanent part of the school's record. The site visit report and all additional documentation become a part of the body of evidence the Board may consider when the school enters the renewal process.

## The Site Visit Report: Findings and Ratings

The Charter School Performance Framework Criteria are presented in the three guiding areas of charter school accountability defined in state law.

Each resulting site visit report will contain findings relating to the Criteria. **Findings** are statements that describe the school's performance in terms of the Criteria. Findings synthesize the site visit team's analyses of evidence collected from multiple sources prior to and during the visit.

In order to communicate clearly in the site visit report, the SPCSA uses a **rating** scale to summarize a charter school's performance against the Criteria. Ratings will capture school performance at the time of the site visit. In the site visit report, each Criterion in the sub-set listed above (see Types of Visits, above) will be accompanied by a rating.

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| Code | Rating | Description |
|---|---|---|
| EX | Exceptional | The school consistently surpasses the criterion in ways that are innovative and merit replication. |
| EC | Exceeds | The school fully and consistently meets the criterion and is a potential exemplar in this area. |
| AD | Adequate | The school generally meets the criterion and/or minor concern(s) are noted. |
| AP | Approaches | The school meets some aspects of the criterion but not others and/or moderate concern(s) are noted. |
| U | Unsatisfactory | The school falls below most of the criteria. |
| C | Critical | The school falls far below the criterion and/or significant concern(s) are noted. |

Additionally, the site visit report will include appendices that contain data regarding key criteria such Access and Equity, Student Performance, and Finance. Data collected and summarized in the appendices will be used to support ratings.

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## Preparing for the Site Visit

There are many actions that the school, the SPCSA, and site visitors should take to effectively prepare for the site visit.

### SPCSA Preparation

The State Public Charter School Authority determines the range of dates for possible site visits, taking into consideration school vacation weeks, Nevada testing weeks, and the size and location of the school. The Executive Director sends out a letter to each school leader with a proposed date for the visit. If the suggested date is not feasible, the SPCSA will work with the school to find a mutually convenient alternate date for the visit.

The team leader for the visit will be the school's liaison. This person is generally responsible for all communication with the school, including scheduling, requesting pre-visit documents from the school, determining a schedule for the visit (in consultation with the school leader or designee), assembling pre-visit materials for the visitors, assigning visitors to the team, leading the visit, and writing the resulting site visit report.

### Site Visit Team Member Preparation

Site visit team members are responsible for reviewing the preparation materials that are sent to them by the SPCSA. Team members are asked to read over the materials and arrive at the school with an understanding of the background of the school and initial impressions or questions to share with the team. Team members are required to review and follow the Code of Conduct during the visit.

### School Preparation

Schools should prepare for the site visit prior to the arrival of the site visit team. We ask that schools work quickly after receiving the scheduling letter/email from the SPCSA to confirm the site visit data and determine who will be the school's primary point of contact with the SPCSA. For additional guidance on site visit preparation, please refer to the Site Visit Checklist for School Leaders/Designees.

## Site Visit Structure – Major Components of the Day

### Team Meeting

The team leader welcomes the team, reviews the site visit schedule, establishes the purpose and context of the visit, reviews the code of conduct, and answers questions from team members.

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## Morning Introduction with School Leader(s)

During the morning meeting, the school leader(s) orients the site visit team to the school and alerts the team to any absent teachers and/or special events occurring during the school day. The site visit team will review and confirm the school's common practices with school leader(s). The school leader's description of instructional expectations, along with the document outlining the school's expectations, will be used to evaluate observed instruction during the visit.

## Focus Group Interviews

The team leader facilitates the conversation, opening with common questions asked of all groups at all schools. Questioning may also be more specific and tailored to the specific school context. Whenever possible the team leader will guide the focus group members to ground their answers with specific evidence and data. Pre-assigned team members will be responsible for taking notes and if appropriate, asking follow-up questions.

## Classroom Observations

The classroom observations will be guided by the school leader's written and oral description of teaching and learning at the school as well as the SPCSA's observation form provided to team members. Collectively, the site visit team visits as many classrooms as possible during the day of the visit. Observations should last approximately 20 minutes and will not disrupt classroom activities. Visitors will collect lesson materials if available. Teachers should post class schedules outside each room to identify when and what kind of classes are happening in the classroom.

## Document Review

The school places all onsite documents in the site visit team's room. Throughout the day, site visit team members who are not scheduled to participate in focus groups, interviews, or classroom observations at a specific time will review curriculum documents, school handbooks, board materials, and other requested documents. The team may request that a school administrator orient team members to the documents.

## Team Organization and Reflection

The team leader brings the team together and sets out the goals for the afternoon work time. The team leader reminds site visit team members to refrain from judgment and ground comments in evidence, observations, and data. The team leader guides the team through a debrief of the day, structured by the three areas of charter school accountability, the site visit guiding questions, and the Criteria. Site visit team members gather additional evidence and

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### Site Visit Team Report Out

The team leader reports the shares the team's initial analysis. The report-out will address a sub-set of Criteria. The team leader then outlines next steps resulting in a Site Visit Report. Within six weeks, the SPCSA will send the school a Site Visit Report Draft to review for factual corrections. It is up to the school to decide who should attend the report out. Typically school leaders and/or other administrators attend and other stakeholders attend at the invitation of the school leader. Please determine this before the visit.

### Site Visit Report

SPCSA staff members and/or authorized representative write the site visit report. Site visit team members review the report to ensure that it is factually accurate and reflects the collective thoughts of the team. The team leader incorporates corrections and suggestions for improvement. School leadership reviews the report for factual corrections. The team leader incorporates factual corrections and issues the final report to the school leader and chair of the school's board of trustees. School leadership may prepare a response to the site visit report that is submitted in writing to the SPCSA and becomes a permanent part of the school's record.

## Site Visit Schedule

The schedule for the site visit depends on the type of visit. The school leader or designee should use the scheduling guidelines included in this Protocol to establish preferred times for site visit elements. After sending the preferred times to the site visit team leader, the two will work together to create a schedule. The finalized schedule must include locations for each focus group and an assigned location where the site visit team may work throughout the entirety of the day, separate from rooms in which focus groups are held. While on site, team members may schedule additional meetings if necessary. The team leader will remain in contact with school leadership throughout the day in the case that additional meetings and follow-up sessions are needed. Please review the requirements for each type of visit regarding scheduling and focus groups.

A number of focus groups and interviews must be scheduled for the day of the site visit. It is the school's responsibility to gather a representative group from each category through an open invitation, and to inform each participant of the time and place of the meeting. . The SPCSA expects that each participant is present for the entirety of the meeting and is given complete freedom to speak regarding their knowledge of and experience at the school, with no limits or repercussions imposed. In general, focus group composition **should not include more than 10 individuals**. Below is a list of the possible interviews or focus groups that could be held. Additionally, it is not necessary for individuals to attend multiple focus groups. For instance, it is not necessary for the special education administrator to attend the school leadership/ Adminstration focus group. S/he should only attend the Special Education/ English Language Learner (ELL) Administrator focus group. Please refer to Appendix D to see which focus groups will be convened for each type of visit.

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| Focus Groups and Interviews (Please include no more than 10 attendees for each group) | Description |
|---|---|
| **School Governing Body** | The site visit schedule will include an interview with the school board. Onsite inspections, such as the accountability site visits, fall outside the definition of a "meeting" for purposes of the Open Meeting Law, provided that members do not deliberate. This meeting is typically scheduled in the morning in order to work around the schedules of the school governing body members. The school leader and/or representatives of an education management organization may not attend this meeting. |
| **School Leadership/ Administration** | Administrators who are directly and primarily reponsible for the academic program and the operation of the school should attend this meeting. The time reserved for additional fact finding in the afternoon may be used to meet with these administrators to clarify issues or questions. |
| **Special Ed/ELL Coordinator/ Facilitator(s)** | The school's special education and ELL program administrators will be interviewed. The time reserved for additional fact findings in the afternoon may be used for supplemental meetings with these administrators as needed to clarify issues or questions which arise during the course of the visit. |
| **Special Ed/ELL Staff** | A focus group will be convened that includes special education teachers, interventionists, paraprofessionals, and ELL teachers and paraprofessionals. The focus group should contain a representative sample of staff in terms of their experience, years at the school, and/or grade level. Administrators and governing body members may not be present at this meeting. |
| **General Education Teachers** | All general education teachers should be offered the opportunity to participate. The focus group should contain a representative sample of teachers in terms of their experience, years at the school, subject, and/or grade level. Please do not include teachers who are directly responsible for supervising/evaluating other teachers. Administrators and governing body members may not be present at this meeting. |
| **Students** | Student focus groups should include only students in Grade 4 and above. Students should represent a variety of ages, grade levels, and time spent at the school. |
| **Families** | This focus group should include parents or guardians whose children represent a variety of grades, years spent at the school, and, if possible, parents/guardians of students with diverse learning needs. |
| **Student and Social Services** | This focus group should include representative student support services and social services staff including but not limited to: family support and outreach staff, guidance and counseling staff, social worker, school psychologist, nurse, a crisis management team member, discipline coordinator, and/or community services liaison, if applicable. Administrators and governing body members may not be present at this meeting. |

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# Appendix A
*Site Visit Checklist for School Leaders/Designees*

The SPCSA has created the following checklist to help school leaders prepare for accountability site visits.

> The following list outlines the preparation for site visits, with a particular focus on Full Site Visits.
>
> Please see the following appendices for specific preparation regarding First Year, Targeted, and Check-in visits where subsets of the information below will be required.

As noted previously, the school leader(s) may designate another staff member to oversee site visit preparation.

## As soon as you receive the summer scheduling email/letter:

- ❑ Check to see that the suggested site visit date is a regular school day without any school wide testing, field trips, or early release.
- ❑ Confirm the suggested date(s) as soon as possible. Please email with your confirmation. If the date creates undue hardship for your school, email the liaison who sent the email/letter. The SPCSA will work with the school to determine a mutually agreed upon date.
- ❑ Once the date is confirmed, relay the information to all school stakeholders and share the Protocol with all potential participants.

## Approximately a month prior to the visit:

- ❑ Review the Site Visit Protocol and share it with the school community.
- ❑ Talk with the school's board of trustees, staff, and community to orient them to the purpose of the site visit, what their respective roles will be during the visit, and what to expect when the team visits. Inform teachers that classroom observations will be part of the visit; however, assure teachers that the purpose of classroom observations is to collect evidence and capture school wide trends.
- ❑ Begin to gather the required pre-visit documents as outlined in an email from the site visit team lead/liaison (listed below).

## Three weeks prior to the site visit:

- ❑ **Upload all of the following documents in electronic format in the required Site Visit section of Epicenter**. A task will be created in Epicenter and schools will be reminded via Epicenter.

  - ❑ **Address of and directions** to the school, including telephone number and any necessary parking instructions.

  - ❑ A **master class schedule** for the day of the visit that clearly indicates the teacher, subject, time, and location (room assignments) for all classes. Please identify on the schedule which classes are ELL and special education inclusion, pullout, or substantially separate placements.

  - ❑ List and provide summaries and analyses of **external assessment data other than SBAC or ACT Aspire**. Please provide a copy of recent grade level summaries of student results on any standardized test *if it was not available at the time of the school performance plan.* In addition, if the school has done data analysis on scores from any of these tests, this should be provided as well.

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- ❑ List and provide summaries and analyses of **internal assessments, if available**. Please provide any additional information the school has aggregated which gives a picture of student achievement. If internal assessments have been created on site, please provide a brief description of the assessment(s).

- ❑ Current student **demographic** information. Please use the charts provided in Appendix G.

- ❑ Waitlisted student **demographic** information. Please use the charts provided in Appendix G.

- ❑ A **staff roster** that includes administrator and teacher names, number of years of teaching and/or administrative experience, number of years at the school, and subject and/or grade taught or administrative role. Please identify any staff who have ESL or Special Education licensure. Please use the template provided in Appendix F.

- ❑ **Approved Board minutes and electronic copies of the audio recordings** for each meeting that has occurred in the past 12 months.

- ❑ A **description of common practices** the school identifies as high quality and can be **observed in classrooms**. This description should answer the questions included in the template found in Appendix C.

- ❑ The school's preferred times for site visit components. See Appendix D.

- ❑ A copy of your school's **School Performance Plan.** This plan is developed by the charter school to ensure that the needs of diverse learners in the general education program are met.

- ❑ A copy of your school's most recent Srecent**Special Education program self-evaluation**.

- ❑ A copy of your school's most recent **English Language Learner program self-evaluation**.

- ❑ **Any other documentation that helps to tell the story of your school to an external** team of visitors. A strategic plan is an example of a document that a school might provide.

- ❑ If the school has curriculum documents easily accessible through an online platform (for example, Google Drive), please send the link and necessary log in information. Curriculum documents should include scopes and sequences, unit plans, and any relevant testing data not already provided to the team.

## Approximately two weeks prior to the visit:

- ❑ Invite all families to participate in a focus group on the day of the visit (if applicable, for visits including parent focus groups) and upload copies of all notices provided into Epicenter (e.g. a printout of the email invitation, a copy of the school newsletter, flyers, etc).
- ❑ Identify a secure place that can serve as a meeting room for the team throughout the day.
- ❑ Work with the site visit team leader and the school community, including the governing body, to determine the schedule for the visit. This may take several iterations to complete. The schedule needs to be finalized with the team leader at least one week prior to the visit.

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## Approximately one week prior to the visit:

- ❑ Speak with the site visit leader by telephone to review and finalize the site visit schedule, as well as discuss logistics and materials. Please ask questions about the site visit and protocol at this time.
- ❑ Confirm focus group participation from governing body members, teachers, students, families, and staff using the focus group attendees template sent by the team leader.
- ❑ Begin to assemble the onsite documentation (listed below).

## The day <u>before</u> the site visit

- ❑ Distribute the site visit schedule to the school community.
- ❑ Remind teachers to make copies of any lesson materials available to site visitors (though they should not create any materials solely for this purpose).
- ❑ Have each teacher post the schedule and class agendas for their classroom for the day of the visit on the door of their classroom.
- ❑ Determine which stakeholders should attend the team's report out at the conclusion of the site visit. Invite those stakeholders to attend.
- ❑ Ensure that the **<u>following materials are available, organized, and clearly labeled</u>** in the team's private meeting space.

    - ❑ A **school map**, with corresponding teacher room assignments or marked with teacher names and showing the location of special education and ELL instructional spaces (provide one copy for each team member)
    - ❑ Aggregated family, teacher, and student **survey** information
    - ❑ Samples of educator and administrator **evaluation tools**
    - ❑ Samples of school 's educator and administrator **observation rubrics**
    - ❑ Explanation of **internal assessment program** (if applicable) and any relevant samples
    - ❑ **Professional development calendar**/agendas
    - ❑ **Curricular documents** (if not previously provided) including scopes and sequences, unit plans, and any relevant testing data not already provided to the team. Please have someone available who can guide a site visit team member through these materials. If curriculum is stored electronically (for example, a shared drive or folder), provide written directions for how to access these materials, as well as staff to guide a site team member through the files.
    - ❑ **Current recruitment materials**, including the school's application for lottery and/or enrollment, and any school brochures/flyers used in recruiting applicants. Please also provide samples of recruitment materials translated in the other languages spoken by students attending the zoned schools based on the validation day zoned school list.
    - ❑ A copy of the **Special Education** and **ELL policies and procedures manuals.**
    - ❑ Please have the following **safety documents** ready to be viewed by the team:
        - ❑ Fire inspection certificate
        - ❑ Building safety inspection
    - ❑ **Any other materials** that the school believes will assist the team in efficiently reviewing the school's performance under its charter and accountability plan.

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## During the visit:

- ❑ Ensure that the team's meeting room remains private and all requested documents are provided and clearly labeled.
- ❑ Ensure that focus group rooms remain private while the interviews are conducted.
- ❑ Be available to the visit team for a morning orientation, a focus group, and any necessary follow-up. Assist the team in obtaining any additional information, documents, data, or interviews with school staff. Other documents, such as fiscal or planning documents, may be requested during the visit.
- ❑ Bring concerns and questions to the attention of the team leader as they arise.
- ❑ Attend the exit meeting to hear the team's initial report out.

## After the visit:

- ❑ Work with the school's governing body to review and provide factual corrections on the draft site visit report.
- ❑ If deemed necessary, prepare a response to the final report. This response will be appended to the report.
- ❑ Share the final, public site visit report at a public meeting of the governing body and share with staff, parents, board members, and the school community, including posting it on the school's website.

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# Appendix B
## *Charter School Performance Criteria*

The site visit team will gather evidence concerning the school's performance for a sub-set of the Criteria.

| | Charter School Performance Criteria |
|---|---|
| Academic Program Success | 1. **Student Performance:** The school consistently meets state and Authority student performance standards for academic growth, proficiency, and college and career readiness. |
| | 2. **Program Delivery:** The school delivers an academic program that provides improved academic outcomes and educational success for all students. |
| | 3. **Culture and Family Engagement:** The school supports students' social and emotional health in a safe and respectful learning environment that engages families. |
| Financial Viability | 4. **Finance:** The school maintains a sound and stable financial condition and operates in a financially sound and publicly accountable manner. |
| Organizational Viability | 5. **Capacity:** The school sustains a well-functioning organizational structure and creates a **professional** working climate for all staff. |
| | 6. **Governance:** Members of the governing body act as public agents authorized by the state and provide competent and appropriate governance to ensure the success and sustainability of the school. |
| | 7. **Transparency and Accountability:** The governing body and the school comply fully with all aspects of the Open Meeting Law and the Freedom of Information Law and provide families, students, and the general public with accurate informationand documents in a manner which can be readily understood by non-experts. |
| | 8. **Mission and Key Design Elements:** The school is faithful to its mission, implements the key design elements outlined in its charter, and substantially meets its school improvement plan goals. |
| | 9. **Access and Equity:** The school ensures program access and equity for all students eligible to attend the school. |
| | 10. **Compliance:** The school compiles a record of compliance with the terms of its charter contract and applicable state and federal laws and regulations. |
| | 11. **Dissemination:** The school provides innovative models for replication and best practices to other public charter and traditional public schools in the district where the charter school is located. |

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Below is a description of each criterion and the main questions that will guide the team's inquiry during site visits.

**Mission and Key Design Elements**

The school is faithful to its mission, implements the key design elements outlined in its charter, and substantially meets its accountability plan goals.

- Do all school stakeholders share a common and consistent understanding of the school's mission and key design elements as outlined in the charter, or subsequent amendments?
- Has the school fully implemented its mission and the key design elements in the approved charter and any subsequently approved amendments? Key design elements are elements of the school, originally articulated in the charter application or subsequent amendments that make it unique and distinct from other district or charter schools.
- Is the school substantially meeting the goals articulated in its School Performance plan?

**Access and Equity**

The school ensures program access and equity for all students eligible to attend the school.

- Does the school ensure program access and equity for all students eligible to attend the school?
- Does the school implement a student recruitment and retention plan that includes deliberate, specific strategies that the school uses to ensure the ongoing provision of equity before, during, and after enrollment?
- Does the school eliminate barriers to program access by ensuring that information regarding non-discriminatory enrollment practices and the availability of specialized services are readily available to parents, students, and the general public?

**Program Delivery**

The school delivers an academic program that provides improved academic outcomes and educational success for all students.

**Key Indicator: Curriculum**

- Is the school's documented curriculum aligned to state curriculum frameworks and expectations?
- Is the curriculum aligned vertically between grades and horizontally across classrooms at the same grade level?
- Are teachers implementing the curriculum during instruction with fidelity?
- Does the curriculum support opportunities for all students, including diverse learners, to master these skills and concepts?
- Is the curriculum regularly reviewed and revised to ensure quality and effectiveness?

**Key Indicator: Instruction**

- Does the school staff have a common understanding of high quality instruction for all students?
- Does observed instruction mirror the school's expectations for high quality instruction?
- Do common practices, as implemented, reflect high expectations for all students?
- Does instruction foster student engagement?

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- Are classroom environments conducive to learning?
- Do teachers demonstrate responsibility for the learning of all students, including diverse learners, in the classroom?

**Key Indicator: Assessment and Program Evaluation**

- Does the school use a balanced system of formative and benchmark assessments?
- How do different staff members analyze assessment data and use the results?
- How does the school monitor and modify the academic program according to both qualitative and quantitative data analyses?
- Does the school use the results of a data-based program of self-evaluation to inform the special education and English Language Learner programs to improve instructional strategies and ensure that the needs of students are met?

**Key Indicator: Supports for Diverse Learners**

- Is the school using a universal screening system to assess academic and behavioral strengths and challenges of all students and to identify students needing additional support?
- Does the school's intervention system allow students to move along a continuum of services and change placements according to identified progress or needs?
- Does the school provide supports to meet the academic needs of diverse learners, including but not limited to, students with disabilities and English Language Learners?
- Does the school utilize resources to support students with a range of academic needs?

**Culture and Family Engagement**

The school supports students' social and emotional health in a safe and respectful learning environment that engages families.

**Key Indicator: Family Engagement**

- Does the school work to ensure effective communication with families?
- Does the school have systems in place to overcome language barriers when communicating with parents and families?
- Do school administrators and staff regularly provide families with information on student status and academic progress?
- Do families report satisfaction with the school and have opportunities to engage with the school?

**Key Indicator: Social, Emotional, and Health Needs**

- How does the school provide for the physical, social, emotional, and health needs of its students?
- Is the school environment physically and emotionally safe for staff and students?
- Does the school have a consistently and effectively implemented discipline system that results in a respectful learning environment?
- Does the school have formalized procedures to identify and support students at risk of dropping out, students in crisis, and students who require intensive assistance?
- Does the school staff identify and coordinate with community services as needed?

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**Capacity**

The school sustains a well-functioning organizational structure and creates a professional working climate for all staff.

**Key Indicator: School Leadership**

- Does the school clearly define and delineate roles for staff, administration, and board members?
- Does the school have clear and well-understood systems for decision-making and communication processes among all members of the school community?
- Does the school have an effective school leadership team that implements a clearly defined mission and set of goals?

**Key Indicator: Professional Climate**

- Does the school provide teachers with opportunities for regular and frequent collaboration and professional development?
- How does the school monitor instructional practice for consistency? Does this system include a formal process of teacher evaluation?

**Key Indicator: Contractual Relationships (*if applicable*)**

**Governance**

Members of the governing body act as public agents authorized by the state and provide competent and appropriate governance to ensure the success and sustainability of the school.

- Are board members active and engaged in fulfilling their legal responsibilities and obligations to the school? Including, but not limited to:
  - Following Open Meeting Law
  - Following the board's bylaws
  - Approving appropriate school policies to ensure compliance with requirements
- Does the board demonstrate appropriate oversight of the charter school's leaders, financial health, progress towards meeting academic goals, and alignment with the mission while remaining a governing authority? Including, but not limited to:
  - Hiring, evaluating and removing, if necessary, school leaders
  - Maintaining clear and well-understood systems for decision-making and communication processes
  - Overseeing school's financial health, academic success, and faithfulness to charter
  - Maintaining governance, rather than management responsibilities
- Does the board engage in strategic and continuous improvement planning by setting, and regularly monitoring progress relative to goals/priorities that are aligned with the school's mission, vision and core values? Including, but not limited to:
  - Strategic planning
  - A process for self-evaluation
  - Recruiting, selecting, and training members with needed skills and expertise.
  - A process for evaluating any contracted management organizations (if applicable)
  - Succession planning for board and school leadership

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| Transparency | The school is a transparent and accountable entity. |
| --- | --- |
| | • Is the school :<br>  • Following Open Meeting Law<br>  • Following Freedom of Information Law<br>• Does the school demonstrate a commitment to transparent and accountable operations.<br>• Is information provided to parents, students, and the general public in a manner which is understood by non-experts? |

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# Appendix C
## *Description of Common Practices Template*

Please respond to the prompts below to describe your school's common practices. **Please note that these descriptions will be used by the Site Visit Team to eventually provide a rating and finding for the Key Indicator of Instruction.**

| Instructional Practices |
|---|
| Guiding questions:<br>• What common instructional practices should be clearly visible to visitors across classrooms? (Examples: Posted objectives, "I do, "We do, "You do", Think-Pair-Share.)<br>• Please write a brief summary (no more than 5 sentences) explaining how these practices reflect the school's mission and educational philosophy/model while setting high expectations for students. |
| School's Description: |

| Behavioral Expectations and Interventions |
|---|
| Guiding questions:<br>• What are the school's common behavioral expectations?<br>• What behavioral interventions should be clearly visible to visitors across classrooms, if behavioral expectations are not met?<br>• Please write a brief summary (no more than 5 sentences) explaining how these interventions reflect the school's mission and educational philosophy. |
| School's Description: |

| Strategies to Support Diverse Learners |
|---|
| Guiding questions (Please refer to your School Performance Plan (SPP) when completing this section):<br>• What strategies to support diverse learners should be clearly visible to visitors in classrooms? (Please reference the school's SPP).<br>• Briefly describe the model your school uses to implement Special Education.<br>• What ELL strategies should be clearly visible to visitors in relevant classrooms?<br>• Briefly describe the model your school uses to implement ESL instruction. |
| School's Description: |

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# Appendix D
*Types of Visits*

This appendix will clarify the purposes, length, team membership, site visit components, documents, and product of the various types of site visits. Please note that additional materials may be requested for each type of visit if needed by the team.

## Pre-Authorization Site Visit

| | | | | | |
|---|---|---|---|---|---|
| **Purpose:** To evaluate an applicant for a new charter's performance at existing sites in this or other states in terms of the Criteria. To corroborate information contained in the applicant's charter application. | | | | | |
| **Length:** | 1 day /site to up to 5 days per Network | **Team:** | SPCSASPCSA Staff, SPCSA Board Members, and External Reviewers | **Product:** | Charter application recommendation report |
| **Eligible Schools:**<br>• Single site replication applicants (novice applicant or emerging charter management organization CMO)<br>• Education Management Organization (EMO)replication applicants (multiple charters served by an educational management organization)<br>• CMO applicants with more than one campus<br>• CMO network applicants (multiple charters under one board)<br>• CMO affiliate/franchise/licensee applicants (multiple charters under multiple boards replicating same model) | | | **Required Focus Groups/Interviews:**<br>• Administrators<br>• Governing Body<br>• General Ed Teachers<br>• Special Ed/ELL Teachers<br>• Students<br>• Parents/Families<br>• Special Ed/ELL admin<br>• Network Administrators*<br>• Student and Family Supports<br><br>* Network level admin may include, but is not limited to, positions such as the COO, CEO, Director of Operations, CAO, Executive Director and/or Director of Schools. | **Required Documents:**<br>• Directions and parking information<br>• Master class schedule<br>• Non-SBAC internal and external assessment trends<br>• Description of common practices (Appendix C)<br>• Demographic Data (Appendix G)<br>• Board minutes<br>• Special Education and English Language Learner program self-evaluations (if available)<br>• School Performance Plan equivalent, e.g. Annual Program Evaluation (if available)<br>• Authorizer Performance Frameworks | |
| **Criteria Addressed Onsite:** | Mission and Key Design Elements; Program Delivery; Culture and Family Engagement; Capacity; Governance | | | **Additional Criteria[3]:** | Access and Equity; Student Performance; Finance |

| Site Visit Components - Times and Locations |
|---|
| Please enter into the table below, the times for which you would like to schedule the components of the site |

[3] Additional Criteria will be included in the final site visit report.

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| visit. Please do not schedule more than two focus groups at the same time. | | | | |
|---|---|---|---|---|
| Group | Time Needed | Time Scheduled | Location | Date |
| Orientation by School Leader | 30 minutes | | | |
| Governing Body | 60 minutes | | | |
| Administration | 60 minutes | | | |
| Sp Ed/ELL Coordinators/Facilitators | 60 minutes | | | |
| Parent/Family Group | 60minutes | | | |
| Gen Ed Teacher Focus Group | 60 minutes | | | |
| Sp Ed/ELL Teacher Focus Group | 60 minutes | | | |
| Student Focus Group | 45 minutes | | | |
| Network Administrators* | 60 minutes | | | |
| Student and Family Supports Focus Group | 60 minutes | | | |
| Document Review | 45 minutes | | | |
| Internal Review Team Debrief | 45 minutes | | | |
| Report out to School Leader | 45 minutes | | | |
| Home base location for team | All day | All day | | |

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# Year One Site Visits

**Purpose:**
In the first year of operation, charter schools will receive 3-4 visits. The purpose of each visit is described below.

Fall Visits: During these visits, the SPCSA provides technical assistance including but not limited to the implementation of the special education and ELL programming by the school.

Spring Visits: To observe the school's progress in implementing the educational program described in its approved charter, and to support SPCSA inquiry into the school's development in selected areas of the Criteria.

| | | | | | |
|---|---|---|---|---|---|
| **Length:** | 1 day/semester | **Team:** | SPCSA Staff | **Product:** | Fall visits: Summary Technical Assistance<br>Spring visits: First Year Report with Findings and Ratings |

**Required Participants for Fall Visits:**
- School leader, and leadership team, including coordinators/facilitators of Special Education and ELL programming

**Required Interviews/Focus Groups for Spring Visits:**
- School leader and the leadership team
- Administrators of Special Education and ESL programming
- Governing Body

**Required Documents:**
- Master class schedule (updated version from opening procedures)
- Description of Common Practices (Appendix C)
- Student Demographic Information (Appendix G)
- School Board meeting minutes
- Directions to the school and parking information
- Confidential special education folders and ELL student records available on site (only at Fall visit for new operators)

**Criteria Typically Assessed Onsite during the Spring Visit:**
Criterion: Mission and Key Design Elements; Access and Equity, Instruction; Support for Diverse Learners; and Governance Additional Criteria: Student Performance Finance

**Please note:** The Year One Visit schedule will be created in conjunction with school leaders based on the school's size and schedule. The team shall schedule meetings with the school leader as close to the beginning and end of the scheduled school day as possible to allow for observations of the entire program. The school is asked to provide a location within the school for the team to use during the day of the visit. The Spring Year One Visits will result in ratings and findings for the sub-set of Criteria outlined above (the box entitled "Criteria Typically Addressed…."). Please note: it is typical for schools in their initial years of operation to receive ratings of "Partially Meets" in a number of areas due to the developmental trajectory of schools in their first year of implementation.

**First Year Site Visit Components for Spring Visits - Times and Locations**

Suggested timing is provided below. Although all elements of the visit schedule must be preserved, the timing of events is based on participant availability and the school's schedule. Please enter the specific times for which you would like to schedule the components of the site visit into the table below.. Please do not schedule any focus groups at the same time.

| Site Visit Component | Anticipated Time Needed | Preferred Time | Location |
|---|---|---|---|
| Orientation by School Leader | 30 minutes | Prior to start of school | |

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| | | | |
|---|---|---|---|
| | | day for students | |
| Board Members | 60 minutes | Morning | |
| School Leadership Team | 60 minutes | Morning | |
| Special Education/ELL administrator(s) | 60 minutes | Morning | |
| Internal Review Team Debrief | 45 minutes | Afternoon | |
| Debrief with School Leader | 30 minutes | End of school day | |
| Home base location for team | All day | All | |

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# Check-in Site Visit

**Purpose:** This visit is designed to gather evidence regarding the school's implementation of its program and how it is performing in terms of a sub-set of the Criteria.

| **Length:** | 0.5 – 1 day | **Team:** | SPCSA Staff | **Product:** | Check-in Report with Findings and Ratings |
|---|---|---|---|---|---|

**Eligible Schools:**

- Schools that have successfully completed 3 charter terms

**Required Interviews/Focus Groups:**

- Governing Body
- Administration (including Special Education and ELL coordinators/facilitators)
- Teachers (including General Education and Special EducationSPED/ELL)
- Others, as identified by site visit team leader

**Required Documents:**

- Master class schedule
- Staff roster (see Appendix F)
- Student Demographic Data (Appendix G)
- Board meeting minutes for the past 12 months
- Directions to the school and parking information
- School Performance Plan
- Check-in Site Visit Preparation Template

| **Criteria Addressed Onsite:** | Mission and Key Design Elements: Instruction; Supports for Diverse Learners; Governance. | **Additional Criteria[4]:** | Access and Equity; Student Performance; Finance |
|---|---|---|---|

**Check-in Site Visit Components - Times and Locations**

Please enter the times for which you would like to schedule the components of the site visit into the table below. Please do not schedule the administration, board members, and teacher focus groups at the same times.

| Group | Time Needed | Time Scheduled | Location |
|---|---|---|---|
| Orientation by School Leader | 15 minutes | Beginning of school day | |
| School Board | 45 minutes | | |
| Administration (including Special Ed and ELL coordinators/facilitators) | 60 minutes | | |
| Teacher Focus Group (including Special Ed and ELL teachers) | 30 minutes | | |
| Student Focus Group | 30 minutes | | |
| Internal Review Team Debrief | 45 minutes | | |
| Home base location for team | All day | All day | |

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# Technical Support Site Visit

| | | | | | |
|---|---|---|---|---|---|
| **Purpose:** This visit is designed to provide technical support, auditing, or monitoring pursuant to the Authority's LEA role. | | | | | |
| **Length:** | 0.5 – 1 day | **Team:** | SPCSA Staff | **Product:** | Technical Assistance Report |
| **Eligible Schools:**<br>• All schools | | **Required Interviews/Focus Groups:**<br>• As needed | | **Required Documents:**<br>• As needed depending on school assistance request or purpose of LEA audit | |
| **Criteria Addressed Onsite:** | Access and Equity; Finance; Supports for Diverse Learners | | **Additional Criteria[5]:** | Student Performance; Instruction | |

**Check-in Site Visit Components - Times and Locations**

Please enter the times for which you would like to schedule the components of the site visit into the table below. Please do not schedule the administration, board members, and teacher focus groups at the same times.

| Group | Time Needed | Time Scheduled | Location |
|---|---|---|---|
| Orientation by School Leader | TBD | Beginning of school day | |
| Administration (including Special Ed. and ELL Coordinator/Facilitator) | TBD | | |
| Teacher/Staff Support | TBD | | |
| Document Review | TBD | | |
| Internal Review Team Debrief | 45 minutes | | |
| Home base location for team | All day | All day | |

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# Board Liaison Site Visit

**Purpose:** This visit is designed to provide SPCSA Board members with additional insight regarding the school's implementation of its program and how it is performing in terms of a sub-set of the Criteria.

| | | | | | |
|---|---|---|---|---|---|
| **Length:** | 0.5 – 1 day/quarter | **Team:** | SPCSA Board Member(s) (Non-Quorum Number); Authority Executive Director/Designee | **Product:** | Board Member Liaison Report (written); Report Out at Next Board Meeting (oral) |

| | | |
|---|---|---|
| **Eligible Schools:**<br>• All schools | **Required Interviews/Focus Groups:**<br>• Members of Governing Body or full Governing Body (if visit includes a board meeting)<br>• Administration (including Special Ed and ELL coordinators/facilitators)<br>• Teachers (including general education and special education/ELL)<br>• Others, as identified by board member | **Required Documents:**<br>• Directions to the school and parking information<br>• Master class schedule<br>• Staff roster (see Appendix F)<br>• Student Demographic Data (Appendix G)<br>• School Performance Plan<br>• Check-in Site Visit Preparation Template |

| | | | |
|---|---|---|---|
| **Criteria Addressed Onsite:** | Mission and Key Design Elements; Supports for Diverse Learners; Governance | **Additional Criteria:** | Access and Equity; Student Performance |

**Board Liaison Site Visit Components - Times and Locations**

Please enter the times for which you would like to schedule the components of the site visit into the table below. Please do not schedule the administration, board members, and teacher focus groups at the same times.

| Group | Time Needed | Time Scheduled | Location |
|---|---|---|---|
| Orientation by School Leader | 15 minutes | Beginning of school day | |
| School Board | 45 minutes | | |
| Administration (including Special Ed and ELL coordinators/facilitators) | 60 minutes | | |
| Teacher Focus Group (including Special Ed and ELL teachers) | 30 minutes | | |
| Student Focus Group | 30 minutes | | |
| Parent Focus Group | 30 minutes | | |
| Internal Review Team Debrief | 45 minutes | | |
| Home base location for team | All day | All day | |

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# Targeted Site Visit

**Purpose:** To evaluate a school's progress relative to declining academic performance and/or imposed conditions, if the school is currently operating under conditions or has a probationary status. Further, to monitor a school's progress on a sub-set of the Criteria if the school's performance was rated "partially meets" or "falls far below" during a previous site visit.

| | | | | | |
|---|---|---|---|---|---|
| **Length:** | 0.5 – 1 day | **Team:** | SPCSASPCSA Staff; SPCSA Board Members; and External Reviewers | **Product:** | Targeted site visit report with findings and ratings including a report on conditions (if applicable) |

| | | |
|---|---|---|
| **Eligible Schools:**<br>• Schools on conditions or probation<br>• Schools requiring a follow-up visit for a sub-set of criteria | **Required Focus Groups/Interviews:**<br>• Required focus groups will be determined based on the purpose of the site visit | **Required Documents:**<br>• Required documents will be determined based on the purpose of the site visit |

**Site Visit Components - Times and Locations**

Please enter the times for which you would like to schedule the components of the site visit into the table below. Please do not schedule the administration, board of trustees, and teacher focus groups at the same times.

| Group | Time Needed | Time Scheduled | Location |
|---|---|---|---|
| Orientation by School Leader | Varies dependent on purpose of visit | | |
| School Board | TBD | | |
| Administration | TBD | | |
| Parent/Family Group | TBD | | |
| Teacher Focus Group | TBD | | |
| Student Focus Group | TBD | | |
| Internal Review Team Debrief | TBD | | |
| Home base location for team | All day | All day | |

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# Full Site Visit

**Purpose:** To evaluate a school's performance in terms of the Criteria. To corroborate information contained in the school's Annual Report.

| | | | | | |
|---|---|---|---|---|---|
| **Length:** | 1 – 3 days/site; up to 10 for Network | **Team:** | SPCSASPCSA Staff; SPCSA Board Members; and External Reviewers | **Product:** | Full Site Visit Report with findings and ratings |

| | | |
|---|---|---|
| **Eligible Schools:**<br>• Schools in their first two charter terms<br>• Schools with more than one campus<br>• Network schools (multiple charters under one board) | **Required Focus Groups/Interviews:**<br>• Administrators<br>• Special Education/ELL coordinators/facilitators<br>• Governing Body<br>• General Ed Teachers<br>• Special Ed/ELL Teachers<br>• Students (if applicable)<br>• Parents/Families<br>• Special Ed/ELL admin<br>• Network Administrators*<br>• Student and Family Supports<br><br>* Network level admin may include, but is not limited to, positions such as the COO, CEO, Director of Operations, CAO, Executive Director and/or Director of Schools. | **Required Documents:**<br>• Directions and parking information<br>• Master class schedule<br>• Non-SBAC internal and external assessment trends<br>• Description of common practices (Appendix C)<br>• Demographic Data (Appendix G)<br>• Staff roster (Appendix F)<br>• Board minutes<br>• Special Education and English Language Learner program self evaluations<br>• School Performance Plan |

| | | | |
|---|---|---|---|
| **Criteria Addressed Onsite:** | Mission and Key Design Elements; Program Delivery; Culture and Family Engagement; Capacity; Governance | **Additional Criteria[6]:** | Access and Equity; Student Performance; Finance |

**Site Visit Components - Times and Locations**

Please enter the times for which you would like to schedule the components of the site visit into the table below. Please do not schedule more than two focus groups at the same time.

| Group | Time Needed | Time Scheduled | Location | Date |
|---|---|---|---|---|
| Orientation by School Leader | 30 minutes | | | |
| Board of Trustees | 60 minutes | | | |
| Administration | 60 minutes | | | |
| Sped/ELL Coordinators/Facilitators | 60 minutes | | | |
| Parent/Family Group | 45 minutes | | | |
| Gen. Ed. Teacher Focus | 60 minutes | | | |

[6] Additional Criteria will be included in the final site visit report.

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| | | | | |
|---|---|---|---|---|
| Group | | | | |
| Sped/ELL Teacher Focus Group | 60 minutes | | | |
| Student Focus Group | 45 minutes | | | |
| Network Administrators* | 60 minutes | | | |
| Student and Family Supports Focus Group | 60 minutes | | | |
| Document Review | 45 minutes | | | |
| Internal Review Team Debrief | TBD | | | |
| Home base location for team | All day | All day | | |

** If Applicable*

**Please Note**: As Full Site Visits are typically multiple days, you may schedule focus groups on any day of a single site visit. See Appendix E for more information about planning and executing multi-campus site visits.

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# Appendix E

## *Conducting Site Visits to Schools with Multiple Campuses and Networks*

Several SPCSA charter schools operate multiple campuses with separate administrative leadership teams and programs in different locations. In some cases, the campuses serve overlapping grade levels, and in other instances, campuses serve an elementary, middle, and/or high school with distinct separations of program and leadership. In addition, there are several charter school boards of trustees who hold charters for more than one school (a "network"), but utilize a centralized administrative leadership structure to oversee each school. The legal structure for these various configurations differs depending on the particular circumstances. However, to the extent possible, the SPCSA will endeavor to schedule and coordinate site visits in the most efficient manner possible—including conducting visits to multiple charter schools within a network during the same day or week. In addition, the SPCSA will also issue a single site visit report in these cases. To ensure that the necessary evidence is gathered to make the appropriate accountability determinations, it is important that the site visit team gather evidence of the Criteria at each individual campus. This will allow the team to paint a clear and accurate picture of the performance of each campus/school. Prior to any site visit, the SPCSA will confirm with the school whether or not it is considered a network or a school with multiple campuses.

**Multiple Campus Visit Guidelines**

- ❑ The team will conduct focus groups with students, parents, campus leaders/administrators, teachers, and special education/ELL teachers for *each* individual campus.
- ❑ The team will conduct one focus group with the following groups:
  - All administrators who oversee academic or operational aspects for *more than one campus*.
  - The Governing Body
- ❑ The report may include individual, campus-based findings for the following Criteria and key indicators: Mission and Key Design Elements Supports for Diverse Learners. The team will gather evidence to document each campus's/school's progress in meeting accountability plan goals.
- ❑ The team will inquire about inter-campus communication structures at each campus.
- ❑ The team will conduct a similar number of classroom observations at each campus. In cases where one campus is significantly larger than the others, the team will conduct an appropriate ratio of observations to the campus' enrolled student population.

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# Appendix F
## *Template for Staff Roster*

Please use the following template to create a staff roster. Please include all teachers and administrators.

| Teacher Name (first and last) | Number of years at the charter school | Total number of years teaching | Grade | Teaching Assignments | Earned Degree(s) | Special Education License? | ELL Teacher/Admin Endorsement? Yes or No | NV Licensure (Level and Area) | Praxis General test and Date Passed | Praxis Subject test and Date Passed |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
| | | | | | | | | | | |
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| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

**Add additional rows as needed*

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# Appendix G
## *Student Demographic Information*

| **Enrollment Information:** |
|---|
| Total number of students currently enrolled: |
| Number of students who left the school during the prior school year: |
| Number of students who completed the prior school year but did not reenroll for the current school year (excluding graduates): |
| Number of students who have left the school during the current school year: |

| **Demographic and Subgroup Information (for currently enrolled students):** | | |
|---|---|---|
| Race/Ethnicity | # of students | % of entire student body |
| African-American | | |
| Asian | | |
| Hispanic | | |
| Native American | | |
| White | | |
| Native Hawaiian, Pacific Islander | | |
| Multi-Race, Non-Hispanic | | |
| Special Education | | |
| English Language Learner | | |
| Economically Disadvantaged | | |

| **Special Education Student Demographic Information** | |
|---|---|
| Current number of students receiving services in a number in full inclusion setting | |
| Current number of students receiving services in a number in partial inclusion setting | |
| Current number of students receiving services in a number in substantially separate setting | |
| Types of disabilities served on IEPs | |
| Current number of students on Section 504 Accommodation Plans | |
| Types of disabilities services on Section 504 Accommodation Plans | |
| List of types of assistive technology devices used | |
| Current numbers of students who receive related services: | |
| a. Speech/Language | |
| b. Occupational Therapy | |
| c. Physical Therapy | |
| d. Counseling | |
| e. Other (APE, mobility, etc.) | |
| The number of initial evaluations that were conducted during the current school year | |
| The number of initial evaluations that were conducted during the prior school year | |

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| | |
|---|---|
| The number of re-evaluations that were conducted during the current school year | |
| The number of re-evaluations that were conducted during the prior school year | |
| The number of students who were found ineligible for services during the current and prior school year | |
| Number of students on Nevada Alternative Assessment (NAA) | |

| **English Language Learner Student Demographic Information** | |
|---|---|
| The number of English language learners (ELL) by grade levels and levels of proficiency (See table below) | |
| The number of students transitioned from LEP to Former English Learners in the past four years | |
| Primary languages of the school community | |
| Names and roles of persons responsible for administration of proficiency assessments | |

| | **English Language Proficiency Levels** *(please provide the number of ELLs at each applicable Level for each applicable grade)* | | | | | | |
|---|---|---|---|---|---|---|---|
| **Grade** | **Level 1** | **Level 2** | **Level 3** | **Level 4** | **Level 5** | **Level 6** | **FLEP** |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

**add additional rows as needed for grades ELL students are enrolled at your school*

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# Appendix H
## *Site Visit Code of Conduct*

| Carry out work with integrity | Act with the best interests of students and staff in mind |
|---|---|
| • School personnel may be apprehensive, so treat all those you meet with courtesy and sensitivity, and try to minimize stress.<br>• Try to allay anxiety by displaying respect, valuing opinions, and showing an interest in what every individual says.<br>• Focus your attention and questions on topics that will reveal how well students are learning.<br>• Assure confidentiality.<br>• Approach the review of a school with a clear understanding of that school's particular mission and educational philosophy. | • Do not put students or staff in a position where they may have conflicting loyalties.<br>• Emphasize that students come first and are at the center of the review.<br>• Wherever possible, work to others' convenience.<br>• Under no circumstances criticize the work of a teacher, or anyone else involved with the school during the course of an observation period or focus group.<br>• Observation comments regarding individual teachers are not shared outside the team. |

| Be objective, base findings on evidence. | Exercise Professionalism |
|---|---|
| • Findings must be robust, fully supported by evidence, defensible, and must inform the guiding questions.<br>• Findings must be reliable in that others would make the same judgment based on the same evidence.<br>• Findings must be based on evidence gathered in the context of the school, not in comparison to personal preference or opinion.<br>• An individual's perception can be evidence, especially if supported by others' observations.<br>• Be prepared to ask questions to establish whether a view is based on opinion or evidence. This applies to team members' judgments as well.<br>• Discussion with staff and team members is part of the process to create a fair and secure evidence base from which findings are developed. | • Refrain from using your cell phone during classroom observations, focus groups, and team time. Site visitors may use the lunch break to use cell phones and check email.<br>• Arrive to the school early/on-time and closely follow the schedule for the day.<br>• Site visit attire must be business casual. Refrain from wearing jeans or any other casual-wear.<br>• Out of respect to the speaker, do not engage in side conversations while another team member or school staff is speaking.<br>• In cases where team members do not agree on a finding/rating, present concrete evidence to support findings and be respectful to others' evidence-based perspectives.<br><br>Allow participant voice to dominate during focus groups. Besides asking follow-up questions, do not offer personal opinions or respond directly to participant responses. |

Source: These guidelines for conduct are based, in part, on the British Office for Standards in Education (OFSTED) Code of Conduct.

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# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Consideration of SPCSA Director Evaluation protocol**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 9
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Melissa Mackedon, Vice Chair, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 30 mins**

**SUBMITTED BY:** _____

| State Public Charter School Authority Annual Evaluation Form | | | | |
|---|---|---|---|---|
| Goal: By 2016, increase the number of SPCSA-sponsored quality charter schools from 4 to 12 based upon the Authority's performance framework. | | | | |
| **Strategies** | **Measures** | | **Targets** | **Ratings** |
| Open and sustain quality new schools | 2014 approved applications:<br>▪ 8 applications/category<br>▪ 8 applications heard<br>▪ 2 applications approved<br>▪ 0 applications recommended by staff and not approved | 2015 approved applications:<br>▪ 4 applications/category<br>▪ 3 applications heard<br>▪ 2 applications approved<br>▪ 0 applications recommended by staff and not approved | | |
| | Number of schools meeting quality criteria after 1, 2, and 3 years:<br>▪ # schools rated adequate and above in 2011–2012 (62%)<br>▪ # schools rated adequate and above in 2012–2013 (67%)<br>▪ # schools rated adequate and above in 2013–2014 (77%) | | | |
| | Number of replications of quality schools:<br>▪ 8 new sites/campus expansions<br>▪ 0 replications in other counties | | | |
| Establish performance-based contracts for all schools | Number of schools adopting new contracts: Not Applicable | | | |
| | Number of school renewals:<br>▪ 4 total renewals<br>▪ 2 schools with high-stakes reviews | | | |
| | Number of school closures: No closures since 2012 | | | |
| Support strong school governance | Percentage of schools with effective boards: Unavailable | | | |
| | Percentage of boards receiving technical assistance: Unavailable | | | |
| Collaborate to improve the environment for Nevada charter schools | 2013 Alliance rating of Nevada charter school laws: 14<br>2014 Alliance rating of Nevada charter school laws: 13 | | | |
| | Partner numbers and types engaged in Stakeholder group: | | | |
| | New funding sources for charter schools:<br>▪ Categorical grants from the legislature<br>▪ Grants secured by the Authority<br>▪ Loans and other sources | | | |
| | **Overall Performance Rating** | | | |

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Discussion and possible action of up to three board member attendees to the National Alliance of Public Charter School Conference**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 10
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 30 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

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**Carson City, Nevada 89706-2543**
**(775) 687 - 9174 · Fax: (775) 687 - 9113**

# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin

**SUBJECT:** National Charter Schools Conference Attendance

**DATE:** February 22, 2016

Consistent with past practice and the Duties, Policies, and Procedures up for consideration today, staff requests nominations for Board member attendees to the National Charter Schools Conference, sponsored by the National Alliance for Public Charter Schools).

Dates: Sunday, June 26th through Wednesday, June 29th

Location: Nashville, TN

Most recent National Conference attendees: Abelman, Mackedon, and Luna

Most recent NACSA Conference attendees: McCord, Johnson, and Conaboy

Melissa Mackedon has already notified staff she is already planning to attend in her private capacity. She will not seek Agency reimbursement. This leaves two potential attendees from the Board in order to comply with the Duties, Policies, and Procedures and avoid any perception of an Open Meeting Law violation.

Additional Consideration: to maximize the opportunity for professional development across the membership, Board members typically attend only one of the two major national conferences per year. The NACSA conference will be taking place in Atlanta, Georgia from Monday, October 24th through Thursday, October 27th. Members who typically find that conference more informative may wish to defer participation in the National Charter School Conference.

**Recommendation:**
As Member Wahl did not attend either major conference in 2015, she should have the right of first refusal to attend the conference of her choosing. Prior to the Board meeting, members are asked to prioritize for themselves which conference is most beneficial and be prepared to make a final decision on attendees on Friday, February 26th to ensure that staff can make arrangements early and limit costs incurred by the State.

NASHVILLE

NCSC 2015

## Join us!

**The National Charter Schools Conference is the best learning and networking event for charter school teachers, leaders and enthusiasts.** Our attendees hail from all 50 states and the majority are charter school teachers. Attendees are also charter school and education leaders, board members, policy makers, back office staff, instructional coaches, and many, many more. This conference is about being part of a movement, learning from the best in the field, and learning from each other. Meeting peers that struggle with the same issues you do – or have solutions to offer you – is an incredible learning experience.

**By the numbers:** Last year, we had more than 4,700 attendees. We hosted 143 breakout sessions, 7 breakfast networking sessions, 5 after hours hangouts, 3 general sessions and 1 awesome parade!

We seek to make NCSC an incredible learning experience, but also a heck of a lot of fun. We balance intense learning opportunities with networking, and we work to bring the best of our location to you.

**We're delighted to head to Nashville and can't wait to explore, learn, and connect with you.**
**Please do join us!**

## Thank you for Voting – This is Your Conference

Your conference, you're vote – that's the idea behind the Session Selector. We had more than 22,000 votes cast in a two week period. Thank you for sharing your feedback. Our #1 goal is to make this your conference. Your feedback is invaluable to us!
We're reading through your comments, tallying your votes, and convening the programming committee to make our final decisions on programming. If you submitted a proposal, you'll hear back from us by February 5, 2016.

Your votes count for 30% of the overall selection of proposals, and we'll announce our NCSC16 sessions mid-February 2016. Stay tuned for more info! We're also trying new presentation formats this year to keep you engaged, we can't wait to tell you more.

## Learn from the 2015 Conference

Want to find out if NCSC is the right conference for you? Check out our breakout sessions from 2015 by using the Session Search Tool. You can search sessions by keyword, presenter name or by strand. You can also Download Handouts from last year's conference.

Check out our other 2015 highlights and view photos from the conference. We had a blast in New Orleans and hope you'll join us in Nashville in June!

Learn more about

NASHVILLE

NCSC 2015

## Join Us in the Music City!

We want to make traveling to and staying at the conference as easy and affordable as possible. We've negotiated travel discounts with major airlines, and have set aside discounted rooms at serval hotels within walking distance of the Music City Center. Nashville is a very walkable city, with plenty to do downtown. With great restaurants and a vibrant music scene, we're sure you'll enjoy your time with us both at the conference and after hours.

## Travel Discounts

**Delta Airlines:** To receive a discount on Delta, book your reservation at www.delta.com/meeting. Select "Book Your Flight" and this will bring you to the Book A Flight page. Enter the meeting code "NMMRU" in the box provided.

**United Airlines:** Book travel online at united.com and enter ZVEK768699 in the Offer Code section. You can also book your flights by calling the United Reservations Meetings Desk at: 800-426-1122 and provide the Z Code ZVEK and Agreement Code 768699.

## Hotel Info

We've set aside discounted hotel blocks for you. **We recommend booking your stay early. Our hotel blocks often sell out far in advance of the conference.**

Please be mindful of other attendees and do not make multiple reservations for your group. We encourage individual reservations or group reservations once all group members are registered for the conference.

### Headquarter Hotels

We highly recommend our two headquarter hotels based on their close proximity to Music City Center and beautiful accommodations.

# National Alliance for Public Charter Schools

**Sunday, June 26, 2016**

1:00pm-7:00pm Registration Open

6:00pm-8:00pm Welcome Reception

**Monday, June 27, 2016**8:00am-5:00pm Registration Open

8:15am-9:15am Peer-to-Peer Breakfast Networking Sessions 1

9:30am-10:30am General Session 1

10:30am-6:00pm Exhibit Hall Open

10:30am-11:15am Exhibit Hall Coffee Break

11:15am-12:30pm Breakout Sessions 1

12:30pm-2:30pm Lunch and Dedicated Exhibit Hall Hours

2:30pm-3:45pm Breakout Sessions 2

4:00pm-5:00pm Breakout Sessions 3

5:00pm-6:00pm Happy Hour

**Tuesday, June 28, 2016**8:00am-5:00pm Registration Open

8:15am-9:15am Peer-to-Peer Breakfast Networking Sessions 2

9:30am-2:00pm Exhibit Hall Open

9:30am-10:45am Breakout Sessions 4

9:30am-12:00pm Intensive Breakout Sessions 2

11:00am-12:00pm Breakout Sessions 5

12:00pm-2:00pm Lunch and Dedicated Exhibit Hall Hours

2:00pm-3:15pm Breakout Sessions 6

3:30pm-4:45pm General Session 2

4:45pm-6:00pm State Meetings**Wednesday, June 29, 2016**

8:15am-9:15am Peer-to-Peer Breakfast Networking Sessions 3

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Consideration and possible action of the ACT Aspire policy**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 11
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 30 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

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**(775) 687 - 9174 · Fax: (775) 687 - 9113**

# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin

**SUBJECT:** ACT Aspire Policy

**DATE:** February 22, 2016

The SPCSA Board approved staff's recommendation of the expansion of the ACT Aspire assessment at the September 28, 2015 Board meeting. Pursuant to that approval, staff pursued and obtained IFC and BOE approval for purchasing additional grade levels. Staff also committed to working closely with school leaders to identify an appropriate solution that balanced the Authority's need to have accurate and reliable academic data to make high stakes decisions with schools' concerns related to over-testing. At a convening organized by Somerset Academy in January, school leaders and their representatives participated actively in discussions related to these areas of concern. Based on the feedback from stakeholders, four strong options emerged:

- Option 1
  - Test all grades 3-10
    - This option provides the most robust and consistent dataset
    - It allows for growth calculations across all grade levels
- Option 2
  - Test grades 3-4, 6-7, and 9-10
    - This option has the advantage of avoiding triple-testing in the heavily assessed 5th and 8th grades
    - It allows for growth calculations between some grade levels
- Option 3
  - Test grades 4-7 and 9-10
    - This option has the advantage of limiting assessments in the 3rd grade, addressing concerns about first time high stakes test takers being overwhelmed, while avoiding triple-testing in 8th grade
    - It allows for growth calculations across most grade levels
- Option 4
  - Each charter system may select from Options 1, 2, or 3 based on the unique needs of its students
    - This option balances school-by-school flexibility based on their unique needs while providing the Authority with significantly more data than it has currently

**Recommendation:**

Based on a desire to balance fostering a sense of partnership with our schools and supporting their autonomy while also developing a more comprehensive and stable charter school accountability system, staff recommends the adoption of Option 4.

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Upcoming appointments of Member Abelman, Member Luna and Member Wahl**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 12
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 20 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

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*Director*

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# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin

**SUBJECT:** Board Member Appointments

**DATE:** February 22, 2016

NRS 386.5095 creates the Board of the State Public Charter School Authority. Section 4 of the statute provides that board members serve in staggered two year terms. Our even-year termed members are:

- Marc Abelman—appointed by the Speaker of the Assembly
- Nora Luna—appointed by the Senate Majority Leader
- Elissa Wahl—appointed by the Governor

The law provides that each member's term begins on July 1. It also provides that members serve until their successor is appointed. As many appointing authorities deal with a large number of appointments, it behooves current Board members seeking re-appointment and those who may wish to apply for membership to the Board to apply early.

Those seeking appointment or reappointment by the Governor may apply at http://gov.nv.gov/uploadedFiles/govnvgov/Content/Boards/BoardCommissionApp_Interactive.pdf.

Those seeking appointment or reappointment by Legislative leadership may apply at http://www.leg.state.nv.us/Interim/77th2013/Committee/LegAppointedCommittees/docs/Public_Appt_Cmte_distributed.pdf.

While the law also provides that one member be appointed by the Charter School Association of Nevada or its successor entity, that position was most recently filled in 2015.

Staff recommends that the Board strongly encourage any current or prospective member to apply early.

NRS 386.5095

1. The State Public Charter School Authority consists of seven members. The membership of the State Public Charter School Authority consists of:

(a) Two members appointed by the Governor in accordance with subsection 2;

(b) Two members, who must not be Legislators, appointed by the Majority Leader of the Senate in accordance with subsection 2;

(c) Two members, who must not be Legislators, appointed by the Speaker of the Assembly in accordance with subsection 2; and

(d) One member appointed by the Charter School Association of Nevada or its successor organization.

2. The Governor, the Majority Leader of the Senate and the Speaker of the Assembly shall ensure that the membership of the State Public Charter School Authority:

(a) Includes persons with a demonstrated understanding of charter schools and a commitment to using charter schools as a way to strengthen public education in this State;

(b) Includes a parent or legal guardian of a pupil enrolled in a charter school in this State;

(c) Includes persons with specific knowledge of:

(1) Issues relating to elementary and secondary education;

(2) School finance or accounting, or both;

(3) Management practices;

(4) Assessments required in elementary and secondary education;

(5) Educational technology; and

(6) The laws and regulations applicable to charter schools;

(d) Insofar as practicable, reflects the ethnic and geographical diversity of this State; and

*(e) Insofar as practicable, consists of persons who are experts on best practices for authorizing charter schools and developing and operating high-quality charter schools and charter management organizations*[1].

3. Each member of the State Public Charter School Authority must be a resident of this State.

4. After the initial terms, the term of each member of the State Public Charter School Authority is 3 years, commencing on July 1 of the year in which he or she is appointed. A vacancy in the membership of the State Public Charter School Authority must be filled for the remainder of the unexpired term in the same manner as the original appointment. A member shall continue to serve on the State Public Charter School Authority until his or her successor is appointed.

5. The members of the State Public Charter School Authority shall select a Chair and Vice Chair from among its members. After the initial selection of those officers, each of those officers holds the position for a term of 2 years commencing on July 1 of each odd numbered year. If a vacancy occurs in the Chair or Vice Chair, the vacancy must be filled in the same manner as the original selection for the remainder of the unexpired term.

6. Each member of the State Public Charter School Authority is entitled to receive:

(a) For each day or portion of a day during which he or she attends a meeting of the State Public Charter School Authority a salary of not more than $80, as fixed by the State Public Charter School Authority; and

(b) For each day or portion of a day during which he or she attends a meeting of the State Public Charter School Authority or is otherwise engaged in the business of the State Public Charter School Authority the per diem allowance and travel expenses provided for state officers and employees generally.

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[1] Language in italics added by SB509.

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Consideration and possible action on requested American Preparatory Academy campus closure which will not result in a reduction in enrollment or elimination of grades**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 13
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 30 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Executive Director*

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# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin

**SUBJECT:** American Preparatory Academy Request to Cease Occupancy of Oakey Campus

**DATE:** February 22, 2016

American Preparatory Academy requested authorization to amend its charter to cease occupancy of its first site, the Oakey Campus. It will be returning at the March 25 board meeting to provide additional detail on this item.

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Approval of Summer Application Cycle timeline**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 14
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 30 mins**

**SUBMITTED BY:** _____

**BRIAN SANDOVAL**
*Governor*

**STATE OF NEVADA**

**PATRICK GAVIN**
*Director*

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# BRIEFING MEMORANDUM

**TO:** SPCSA Board

**FROM:** Patrick Gavin

**SUBJECT:** Summer Application Cycle

**DATE:** February 22, 2016

Staff makes the following recommendations regarding the upcoming summer charter application cycle:

1. Utilize the same Track A-D RFP templates with minimal changes based on staff and applicant feedback.
2. Application goes live on SPCSA website on/about March 15.
3. Notice of Intent deadline of June 1.
4. Application deadline of July 15.
5. Likely applicant hearings/charter award decisions in October/November depending on any related purchasing/contracting timelines for external reviewers.

These timelines would not impact the invitational, expedited track approved by the Board in December.

# STATE PUBLIC CHARTER SCHOOL AUTHORITY

## SUPPORTING DOCUMENT

**S U B J E C T: Discussion and possible action on proposed SPCSA Board Retreat**

| | |
|---|---|
| / / | Public Workshop |
| / / | Public Hearing |
| / / | Consent Agenda |
| / / | Regulation Adoption |
| / / | Approval |
| / / | Appointments |
| / x/ | Information |
| / x / | Action |

MEETING DATE: February, 26 2016
AGENDA ITEM: 15
NUMBER OF ENCLOSURE(S): 1

**PRESENTER(S): Patrick Gavin, Executive Director, SPCSA**

**FISCAL IMPACT:**

**BUDGET ACCOUNT (FOR PRINTING CHARGES ONLY):**

**LENGTH OF TIME EXPECTED FOR PRESENTATION (IN MINUTES): 10 mins**

**SUBMITTED BY:** _____