

Board of Directors Minutes
July 16, 2013

Meeting called to order @5:40 pm by Tony Ingolia

Roll Call: See attachment. Mike Missale was excused from the meeting. Ron McKendree present via phone.

Minutes

Minutes from May 16, 2013 were read and unanimously approved.

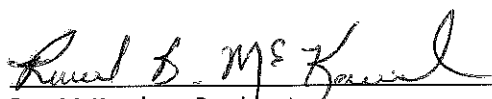
CEO's Report

The Board met for an executive session at the offices of Flavin and Associates to enable a live session with Jay Sakalo of Bilzin Sumberg Attorneys at Law via Skype. Tom Flavin introduced Jay Sakalo to the board members as the new restructuring attorney and requested Jay to make a presentation on his approach to Palm Bay Academy's objectives for a resolution with bond holders and their trustee. Jay informed the board of his experience in dealing with corporate restructuring along with his firm. Bilzin Sumberg started as an offshoot to many satellite offices serving the legal and corporate needs of their clients in 1998. Out of the 120 attorneys that it employs there are 10 restructuring attorneys with immense experience in dealing with charter school issues and great working relationship with DOE. To set the background of the school, thus far he had been in numerous conversations with the original team members representing the school (Ackerman Senterfitt, David Gunter, and Lisa Neimark). He was diligently reviewing and number of documents and formatting outstanding questions especially for Lisa Neimark, the schools financial advisor hired by the Trustee and bond holders. Discussions with Lisa Neimark would need to be on as per need basis to be able to establish the core of the dialogue with the bond holders and the trustee. Clear goals need to be established before the October meeting and the bond holders need to be made aware of the common interests that align all concerned. Jay would also request a copy of the appraisers report from Greenberg Taurig attorneys at law. As schools counsel he would be committed to a continuous stream of dialogue with bond holders to develop an action plan that would drive both parties towards an acceptable solution thus building a strategy to stabilize the school. Jay presented the board with three different scenarios:

1. Long term forbearance which would require primarily interest payment and the principal would be capitalized on the back end. This is not a permanent fix and will require a significant oversight by the trustee and the bond counsel. This option will continue to build restructuring expenses and affect the stability of the school.
2. Immediate restructuring and capitalization of the write off thus significantly reducing both principal and interest. This will also tie principal to the back end and help the school manage its cash flow. Although it eliminates the risks of any financial emergency, implementation will be a big issue.
3. This last scenario is a blend of the first two scenarios. It would allow the school an immediate write down of the bond to six million permanently and give it time to build a series of milestones in 3 to 5 years. If the milestones are not met, bondholder will have the option to exercise foreclosure. This option eliminates any cash flow issues and concerns of financial emergency. Both parties equally share the risk factor, and develop a model that can be achieved. Implementing this option give the school the greatest likelihood of succeeding with the bondholders.

Jay would like to build a framework contingent on October FTE numbers along with a realistic budget. Since the meeting was prolonged the board decided to address other agenda items at their next meeting on August 6, 2013.

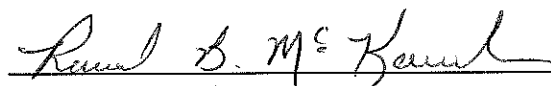
Meeting adjourned @6:45pm. The next meeting will be scheduled for July 16, 2013 @5:30 p.m.


Ron McKendree, President

8/6/13
Date

Submitted by Ms. Madhu Longani

Approved by President of the Board,


Ron McKendree, Signature