

CHESAPEAKE LIGHTHOUSE FOUNDATION, INC.

CHESAPEAKE EDUCATION SERVICES, L.L.C.

September 21, 2015

Prince George's County, Maryland
County Administration Building
14741 Governor Oden Bowie Drive
Upper Marlboro MD 20772

Attention: Rushern L. Baker, III
County Executive

Re: Prince George's County, Maryland Charter School Revenue Bonds
(Chesapeake Lighthouse Charter School Project) for the benefit of
Chesapeake Lighthouse Foundation, Inc. and Chesapeake Education
Services, L.L.C.

County Executive Baker:

Pursuant to and in accordance with the Maryland Economic Development Revenue Bond Act, Sections 12-101 through 12-118, inclusive, of the Economic Development Article of the Annotated Code of Maryland, as amended (the "Act"), (i) Chesapeake Lighthouse Foundation, Inc., a not-for-profit corporation organized under the laws of the State of Maryland (the "Foundation"), and (ii) Chesapeake Education Services, L.L.C., a limited liability company organized under the laws of the State of Maryland ("CES" and, together with the Foundation, the "Facility Applicant"), respectfully request that Prince George's County, Maryland, a body corporate and politic and a political subdivision of the State of Maryland (the "State"), and a "public body" within the meaning of the Act (the "Public Body"), participate in the financing or refinancing of the costs of the Project (as defined herein) and of the acquisition and improvement (within the meaning of the Act) by the Facility Applicant of certain facilities (within the meaning of the Act) (as such facilities are more particularly described herein, the "Facilities"), by issuing, selling and delivering its bonds (within the meaning of the Act) as its limited obligations and not upon its faith and credit or pledge of its taxing power, at any time or from time to time and in one or more tax-exempt or taxable series, in an aggregate principal amount not to exceed \$37,500,000 (the "Bonds"). The Facilities will be owned by CES, the sole member of which is the Foundation. It is intended that this letter, if accepted by the Public Body, shall constitute a "letter of intent" as contemplated by Section 12-101(f) of the Act.

The Bonds shall be repayable by the Public Body solely from the revenue derived from payments made to the Public Body pursuant to the terms and provisions of the Loan Agreement (hereinafter defined), or from any other moneys made available to the Public Body for such purpose.

The Facility Applicant proposes that the proceeds of the sale of the Bonds be loaned by the Public Body to the Facility Applicant (the "Loan"), pursuant to the terms and conditions of a loan agreement to be entered into between the Public Body and the Facility Applicant (the "Loan Agreement").

Any Loan Agreement entered into with respect to the Bonds will require that (1) the proceeds of the Bonds be used solely to finance or refinance the costs of the Project and of the acquisition and improvement by the Facility Applicant of the Facilities, and (2) the Facility Applicant make payments which will be

sufficient to pay the principal of and interest and premium, if any, on the Bonds when and as the same become due and payable. The Facility Applicant agrees that all costs of the Project and of acquiring and improving the Facilities in excess of the proceeds of the Loan will be paid by the Facility Applicant. The Loan Agreement, as amended from time to time, will contain such other provisions as may be required by law and as may be agreed to by the Facility Applicant and the Public Body, as permitted by law.

The Facility Applicant is a “facility applicant” and a “facility user” within the meaning of the Act. The Facilities will be used in connection with the Facility Applicant’s operation of not-for-profit charter schools in accordance with and pursuant to the laws of the State.

The proceeds of the Bonds will be used for the purpose of financing or refinancing (a) the current refunding of taxable bonds in the original outstanding amount of \$17,750,000 (the “Prior Bonds”), the proceeds of which were applied to (i) finance and refinance a portion of the costs of the acquisition, construction, installation and equipping of certain educational facilities of Chesapeake Math & IT Academy South Public Charter School (“CMIT South”), (ii) refinance certain indebtedness of the Foundation incurred in connection with the construction and equipping of certain educational facilities of Chesapeake Science Point Public Charter School (“Science Point”), (iii) fund a debt service reserve fund for the Prior Bonds, (iv) pay capitalized interest on the Prior Bonds, and (v) pay costs of issuing the Prior Bonds; (b) certain indebtedness of the Foundation, the proceeds of which were applied to pay costs for improvements and renovations for certain educational facilities of Chesapeake Math & IT Academy Elementary Public Charter School (“CMIT Elementary”); (c) an HVAC project at CMIT Elementary; (d) costs of additional improvements to CMIT South including the conversion of an existing warehouse into an approximately 107,000 square foot school building with classrooms, office space, hallways, a cafeteria, an auditorium, a gymnasium and an indoor athletic field; (e) costs of issuing the Bonds; (f) the payment of capitalized interest on the Bonds; and (g) the funding of debt service reserve funds with respect to the Bonds ((a) through (g) being referred to collectively herein as the “Project”).

The Facilities, each of which is a “facility” within the meaning of the Act and which is more particularly described in the application to the Public Body submitted prior to the date hereof, and the acquisition and improvement thereof (within the meaning of the Act) by the Facility Applicant, generally consist of (i) with respect to CMIT South, charter school educational facilities located at 9822 Fallard Court, Upper Marlboro, Prince George's County, Maryland; (ii) with respect to Science Point, charter school educational facilities located at 7321 Parkway Drive, South Hanover, Anne Arundel County, Maryland; and (iii) with respect to CMIT Elementary, charter school facilities located at 6151 Chevy Chase Drive, Laurel, Prince George's County, Maryland (collectively, the “Facilities”).

The financing or refinancing of the costs of the Project and of the acquisition and improvement by the Facility Applicant of the Facilities will promote the declared legislative purpose of the Act to (a) relieve conditions of unemployment in the State; (b) encourage the increase of industry and commerce and a balanced economy in the State; (c) assist in the retention of existing industry and commerce in, and the attraction of new industry and commerce to, the State; (d) promote economic development in the State; and (e) promote the health, welfare and safety of the residents of the State. Specifically, it is anticipated that the financing or refinancing of the costs of the Project and of the acquisition and improvement by the Facility Applicant of the Facilities will retain and improve the availability of charter schools in the County.

Financial considerations, particularly the participation by the Public Body in the financing described herein pursuant to the Act, are factors which materially influenced the Facility Applicant’s decision to finance and refinance the costs of the Project and of the acquisition and improvement by the Facility Applicant of the Facilities.

It is expressly agreed and understood that (a) the Public Body will not incur any liability, direct or indirect, or any cost, direct or indirect, in connection with the issuance and sale of the Bonds, the making of the Loan, the incurring of costs of the Project or the acquisition and improvement by the Facility Applicant of the Facilities, and (b) the Facilities will be acquired and improved so as to conform to the requirements of the Facility Applicant. Accordingly, the Facility Applicant shall (a) select and work with the suppliers and contractors who will provide, construct and equip the Facilities and shall negotiate and approve all contracts, construction plans and specifications and all financing terms in connection with the acquisition and improvement of the Facilities, (b) pay all necessary expenses incurred by or on behalf of the Public Body in connection with the proposed financing, including the administration thereof, including, without limitation, all costs incurred in connection with the development of the appropriate legal documents necessary to effectuate the proposed financing, including (without limitation) the fees of bond counsel and compensation to any other person (other than full-time employees of the Public Body) performing services by or on behalf of the Public Body in connection with the transactions contemplated by this letter of intent, whether or not the proposed financing are consummated, and (c) be solely responsible for the payment of all costs of the Project and of acquiring and improving the Facilities in excess of the proceeds of the Loan.

The acceptance of this letter by the Public Body will evidence the present intent of the Public Body to authorize, sell, issue and deliver the Bonds and to authorize the Loan for the purposes described herein. However, the Facility Applicant recognizes that the Public Body cannot make any assurances as to the availability of ready, willing and able purchasers of the Bonds. The Facility Applicant understands and agrees that the proposal contained herein is subject to: (i) the approval and appropriate action by the County Council of the Public Body and the County Executive of the Public Body, and (ii) the approval of detailed provisions of all documents pertaining to the financing.

The Public Body's adoption of a resolution (within the meaning of the Act) providing for the issuance and sale of the Bonds and its acceptance of this letter of intent are intended solely to implement the transactions described herein by the issuance and sale by the Public Body of the Bonds. Neither the acceptance of this letter of intent nor the adoption of such a resolution shall constitute any assurance by the Public Body that (i) the Facility Applicant will have the ability to make payments sufficient to enable the Public Body to repay the Bonds, (ii) the Project and the Facility Applicant's acquisition and improvement of the Facilities will be feasible, economically or otherwise, (iii) the Project and the Facility Applicant's acquisition and improvement of the Facilities will be completed, or (iv) the Facilities will be in compliance with applicable local, State or federal laws.

The Facility Applicant expressly recognizes that the Public Body can give no assurance and makes no representation that the interest on any portion of the Bonds, if issued, will be tax-exempt.

The Bonds, and the interest thereon, and the redemption price and the purchase price thereof, shall be limited obligations of the Public Body which are payable solely from the trust estate to be established therefor or from other moneys made available to the Public Body for such purpose. Neither the Bonds nor the interest thereon nor the redemption price thereof nor the purchase price thereof shall ever (I) constitute an indebtedness or a charge against the general credit or taxing powers of the State of Maryland, the Public Body or any other public body within the meaning of any constitutional or charter provision or statutory limitation, or (II) constitute or give rise to any pecuniary liability of the State of Maryland, the Public Body or any other public body, and the Bonds shall not constitute an indebtedness to which the faith and credit of the State of Maryland, the Public Body or any other public body is pledged. Nothing contained in this letter of intent shall be deemed to constitute an undertaking by the Public Body to expend any of its funds to effect any or all of the transactions contemplated by this letter of intent.

If at any time the Facility Applicant determines not to proceed with the issuance, sale and delivery of the Bonds, the Facility Applicant will promptly advise the County Executive and the County Council of the Public Body, in writing, of such determination, stating the reasons therefor.

This letter may be signed in multiple counterparts.

[Signatures follow.]


Very truly yours,

CHESAPEAKE LIGHTHOUSE FOUNDATION, INC.

By: 
Name: Hakki Karaman
Title: Chief Executive Officer

CHESAPEAKE EDUCATION SERVICES, L.L.C.

**By: CHESAPEAKE LIGHTHOUSE
FOUNDATION, INC.
SOLE MEMBER**

By: 
Name: Hakki Karaman
Title: Chief Executive Officer

[Facility Applicant Signature Page to Letter of Intent]

Pursuant to Resolution No. CR-____-2015 adopted on September __, 2015 during the 2015 Legislative Session, and approved by the County Executive on September __, 2015, the foregoing letter of intent is hereby accepted by Prince George's County, Maryland, this ____ day of September, 2015.

PRINCE GEORGE'S COUNTY, MARYLAND

By: _____
Rushern L. Baker, III
County Executive

[Public Body Signature Page to Letter of Intent]