

PROMISSORY NOTE

\$2,585,412.00

Effective: February 15, 2012

FOR VALUE RECEIVED, the undersigned, LEGACY PUBLIC CHARTER SCHOOL, INC., an Idaho nonprofit corporation, whose business address is 2422 12 Avenue Road, #225, Nampa, Idaho 83686 (the "**Borrower**"), promises to pay to the order of VECTRA BANK COLORADO, NATIONAL ASSOCIATION, a national banking association, whose address is 2000 South Colorado Blvd., Suite 2-1200, Denver, Colorado 80222 (the "**Bank**"), or at such other place as Bank may, from time to time designate in writing, the principal sum of TWO MILLION FIVE HUNDRED EIGHTY-FIVE THOUSAND FOUR HUNDRED TWELVE AND 00/100 DOLLARS (\$2,585,412.00) (the "**Loan**"), or so much thereof as may be advanced by the Bank to Borrower, together with accrued and unpaid interest thereon to be paid as required by the terms of this Promissory Note (this "**Note**"). This Note is executed by Borrower in connection with that certain Loan Agreement, dated of even date herewith, between Bank and Borrower (the "**Loan Agreement**"). Capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Loan Agreement.

Interest Rate. Interest on this Note shall accrue from and after the date of disbursement at an annual rate equal to the 30 Day LIBOR Rate plus three and one-half percent (3.50%) ("**Interest Rate**"); provided, however, that the Interest Rate shall never be less than five and one-half percent (5.50%). If the LIBOR Rate becomes unavailable during the term of this Note, the Bank may designate a rate after notice to Borrower. The LIBOR Rate will be adjusted approximately every 30 days, beginning the first Business Day of the month following closing and on the first Business Day of each month thereafter. For purposes of this Note, "**LIBOR Rate**" shall mean the rate per annum quoted by Bank based upon quotes from the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, as quoted for U.S. Dollars by Bloomberg or other comparable services selected by the Bank for determining the LIBOR Rate. The LIBOR Rate is to be strictly interpreted and is not intended to serve any other purpose other than providing an index to determine the interest rate used herein. The LIBOR Rate may not necessarily be the same as the quoted offered side in the Eurodollar time deposit market by any particular institution or service applicable to any interest period and is not the lowest rate at which Bank may make loans to any of its customers, either now or in the future. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law. Interest shall accrue daily and be calculated on the basis of a 360 day year and the actual number of days elapsed in any partial calendar month.

Payment and Maturity Date. Principal and interest shall be payable as follows:

(a) Commencing on the first day of March, 2012 and continuing on the first day of each month thereafter until the Mini-Perm Date, Borrower shall pay consecutive installments of interest only in arrears.

(b) Commencing on the Mini-Perm Date and continuing on the first day of each month thereafter until the Maturity Date, Borrower shall pay consecutive installments of

principal and interest based on a twenty-five (25) year amortization of the then outstanding principal balance of the Loan.

(c) On the Maturity Date, Borrower shall pay the entire unpaid principal amount and any interest accrued but remaining unpaid and all other sums due under this Note.

Optional Prepayments. Borrower may prepay the outstanding principal balance hereof, in whole or in part, at any time without penalty or premiums.

Default and Acceleration. Upon the occurrence of an Event of Default, at the option of the holder hereof, the entire debt then remaining unpaid at once shall become due and payable without notice and the liens given to secure the payment of this Note may be foreclosed and Bank may pursue all rights and remedies available under this Note or any instrument securing payment of this Note.

Default Rate of Interest. In an Event of Default, Borrower promises to pay interest on the principal balance of this Note together with all sums due and owing under the Note or the Loan Documents then outstanding at a rate of interest ("**Default Rate**") equal to the Prime Rate plus 9.9%, provided that any interest which has accrued at the Default Rate shall be paid at the time of and as a condition precedent to the curing of any default under any statutory right to cure. "**Prime Rate**" shall mean a variable interest rate per annum equal to the highest rate quoted in the "Money Rates" section of the *Wall Street Journal* as the "Prime Rate" for such day (or the previous day of publication for days on which the *Wall Street Journal* is not published). The Prime Rate shall be adjusted on and as of the effective date of any changes in the Prime Rate. If the *Wall Street Journal* ceases publication of its "Money Rates" section or otherwise ceases publishing the Prime Rate, the Prime Rate shall be the highest prevailing base or reference rate on corporate loans at U.S. money center commercial banks. With the exception of such amounts which are due upon the Maturity Date in the event any payment of principal, interest, or other sum due in connection with the Loan is not made within five (5) days after the due date, Bank may, at its option, and upon notice to Borrower, require the payment of a late charge in an amount equal to the greater of (a) five percent (5%) of the delinquent sum or (b) \$25.00 ("**Late Charge**"). Borrower acknowledges that Bank will incur extra expenses for the handling of the delinquent payment and servicing the indebtedness evidenced hereby, and that the exact amount of these extra expenses is extremely difficult and impractical to ascertain, but that the Late Charges would be a fair approximation of the expense so incurred by Bank.

Remedies Cumulative. The rights or remedies of Bank as provided in this Note and any instrument securing payment of this Note shall be cumulative and concurrent and may be pursued singly, successively, or together against Borrower and the real property described in the Loan Documents, and any other funds, property or security held by Bank for the payment hereof or otherwise at the sole discretion of Bank. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such rights or remedies or the right to exercise them at any later time.

Forbearance. Any forbearance of Bank in exercising any right or remedy hereunder or under the Loan Documents, or otherwise afforded by applicable law, shall not be a waiver of or

preclude the exercise of any right or remedy. The acceptance by Bank of payment of any sum payable hereunder after the due date of such payment shall not be a waiver of Bank's right to either require prompt payment when due of all other sums payable hereunder or to declare a default for failure to make prompt payment. Bank shall at all times have the right to proceed against any portion of the security held for this Note in such order and in such manner as Bank may deem fit, without waiving any rights with respect to any other security. No delay or omission on the part of Bank in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Note.

Right of Setoff. In addition to all liens upon, and the rights of setoff against, the monies, securities and other property of Borrower given to Bank, Bank shall have a lien upon, and a right of setoff against, all monies, securities and other property of Borrower, now or hereafter in the possession of Bank, whether for safekeeping or otherwise. Upon the occurrence of an Event of Default, Bank shall have the right to take amounts due from any deposit balances Borrower has with Bank, regardless of any penalty that may apply when Bank exercises such right, and apply such amounts for the outstanding balance of amounts due under this Note.

Application of Payments. All payments made on this Note shall be applied first to any Late Charges, then to collection costs Bank may have incurred by procuring Borrower's performance hereunder, then to payment of the interest then accrued and due on the unpaid principal balance of this Note, then to any other sums due to Bank under the Loan Documents, and the remainder of all such payments shall be applied to the reduction of the unpaid principal. Funds shall be deemed received by Bank on the next Business Day if not received by 3:00 p.m. local time at the location where payments hereunder are to be made.

Borrower's Waivers. Borrower and any sureties, guarantors and endorsers (severally each called a "**Surety**") expressly waive demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, notice of intent to accelerate the maturity hereof, notice of acceleration of the maturity hereof, bringing of suit and diligence in taking any action to collect amounts called for hereunder and in the handling of securities at any time existing in connection herewith, and expressly agree that this Note, or any payment hereunder, may be extended from time to time without in any way affecting the liability of Borrower and each Surety hereof. Borrower and any Surety further agree that at any time and from time to time without notice the terms of payment herein may be modified or the security described in the Loan Documents released in whole or in part, or increased, changed or exchanged by agreement between Bank and any owner of the property affected by said Loan Documents without affecting the liability of any party to this instrument or any person liable or to become liable with respect to any indebtedness evidenced hereby. Such parties are and shall be jointly, severally, directly and primarily liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act or omission as or with respect to the collection of any amounts called for hereunder or in connection with any right, lien, interest or property at any and all times had or existing as security for all sums due hereunder and under any other Loan Document.

In addition, Borrower and each Surety waive and agree not to assert: (a) any right to require holder to proceed against Borrower or any other Surety, to proceed against or exhaust any security for the Note, to pursue any other remedy available to Bank, or to pursue any remedy in

any particular order or manner; (b) to the extent permitted by law, the benefit of any statute of limitations affecting its liability hereunder or the enforcement hereof; (c) the benefits of any legal or equitable doctrine or principle of marshalling; (d) notice of the existence, creation or incurring of new or additional indebtedness of Borrower to Bank; (e) the benefits of any statutory provision limiting the liability of a surety, to the extent applicable; (f) any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever (other than payment in full) of the liability of Borrower for payment of the Note; and (g) to the extent permitted by law, the benefits of any statutory provision limiting the right of Bank to recover a deficiency judgment, or to otherwise proceed against any person or entity obligated for payment of the Note, after any foreclosure or trustee's sale of any security for the Note. Until payment in full of the Note, no Surety shall have any right of subrogation and each hereby waives any right to enforce any remedy which Bank now has, or may hereafter have, against Borrower or any other Surety, and waives any benefit of, and any right to participate in, any security now or hereafter held by Bank.

Usury. In the event the interest provisions hereof or any exactions provided for herein or in the Loan Documents or any other instrument securing this Note shall result, because of any reduction of principal, or for any reason at any time during the life of this Loan, in any effective rate of interest which, for any month, transcends the limit of the usury or any other law applicable to the Loan, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied upon principal immediately upon receipt of such moneys by Bank, with the same force and effect as though the payor had specifically designated such extra sums to be so applied to principal and Bank had agreed to accept such extra payment as a premium-free prepayment. In no event shall any agreed to or actual exaction as consideration for this Loan transcend the limits imposed or provided by the laws applicable to this transaction or Borrower hereof in the jurisdiction in which the land is located for the use or detention of money or for forbearance in seeking its collection.

Loan Documents. This Note is secured by, among other things, a Deed of Trust With Assignment of Leases and Rents, Security Agreement and Fixture Filing ("**Deed of Trust**") and an Assignment of Leases and Rents (the "**Lease Assignment**"), each dated as of the date hereof, on or related to real estate situated in Canyon County, Idaho. The Note is also evidenced and secured by the Loan Agreement and other documents and instruments executed in connection with the Loan (collectively with the Deed of Trust and the Lease Assignment, the "**Loan Documents**"). The Loan Agreement and the Deed of Trust contain provisions for the acceleration of the maturity of this Note. In the event of any material conflict between any provision of the Loan Agreement and any provisions of this Note, the provision of the Loan Agreement shall control. In the event of any material conflict between any provision of the Deed of Trust and any provisions of this Note, the provision of the Deed of Trust shall control.

Preferential Payment. Borrower agrees that to the extent Borrower or any Surety make any payment to Bank in connection with the indebtedness evidenced by this Note, and all or any part of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by Bank or paid over to a trustee, receiver or any other entity, whether under any bankruptcy act or otherwise (any such payment is hereinafter referred to as a "**Preferential Payment**"), then the indebtedness of Borrower under this Note shall continue or

shall be reinstated, as the case may be, and, to the extent of such payment or repayment by Bank, the indebtedness evidenced by this Note or part thereof intended to be satisfied by such Preferential Payment shall be revived and continued in full force and effect as if said Preferential Payment had not been made.

Governing Law; Jurisdiction. This Note is to be governed according to the laws of Idaho, without giving effect to principles of conflict of laws. Without limiting the right of Bank to bring any action or proceeding against Borrower or any Surety or against any property of Borrower or any Surety (an “**Action**”) arising out of or relating to this Note or any indebtedness evidenced hereby in the courts of other jurisdictions, Borrower and each Surety hereby irrevocably submit to the jurisdiction, process and venue of any Idaho State or Federal court sitting in or for Twin Falls County, Idaho, and hereby irrevocably agree that any Action may be heard and determined in such Idaho State court or in such Federal court. Borrower and all Sureties each hereby irrevocably waive, to the fullest extent it may effectively do so, the defenses of lack of jurisdiction over any person, inconvenient forum or improper venue, to the maintenance of any Action in any jurisdiction.

Binding Effect. This Note shall be binding upon Borrower and its successors and assigns and shall inure to the benefit of Bank, and any subsequent holders of this Note, and their successors and assigns.

Notice. All notices required or permitted in connection with this Note shall be given at the place and in the manner provided in the Loan Agreement for the giving of notices.

Business Purpose; Time. The undersigned hereby represent that the proceeds of the Loan evidenced by this Note will be used for a commercial or business purpose. Time is of the essence with regard to the performance of the obligations of Borrower in this Note and each and every term, covenant and condition herein by or applicable to Borrower.

Attorneys’ Fees. Borrower further promises to pay all reasonable attorneys’ fees incurred by Bank in connection with any Default hereunder and in any proceeding brought to enforce any of the provisions of this Note.

Interpretation and Incorporation. As used in this Note, the term “Bank,” shall include each subsequent transferee and/or owner of this Note, whether taking by endorsement or otherwise. As used in this Note, the word “include(s)” means “include(s), without limitation,” and the word “including” means “including, but not limited to.”

WAIVER OF JURY TRIAL. BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE, THE LOAN AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COLLATERAL ARISING THEREFROM OR CONNECTED THERETO. BORROWER AND BANK EACH REPRESENT TO THE OTHER THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY GIVEN.

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the day and year first above written.

BORROWER:

LEGACY PUBLIC CHARTER SCHOOL, INC.,
an Idaho nonprofit corporation

By: 
Name: DAVID MCKNIGHT
Title: CHAIRMAN

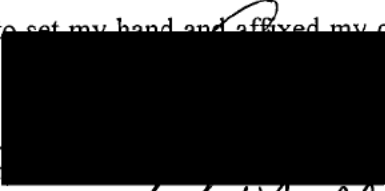
[ACKNOWLEDGEMENTS OF SIGNATURES APPEAR ON FOLLOWING PAGE]

ACKNOWLEDGEMENT OF SIGNATURES

STATE OF IDAHO)
COUNTY OF CANYON) ss.

On this 14TH day of February, 2012, before me, C. DEAN SHAFER, a Notary Public in and for said State, personally appeared BART MCKENIGHT, known or identified to me to be the CHAIRMAN of Legacy Public Charter School, Inc., an Idaho nonprofit corporation, or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary 
Residing at 1 Nampa
My commission expires 12-5-2017

