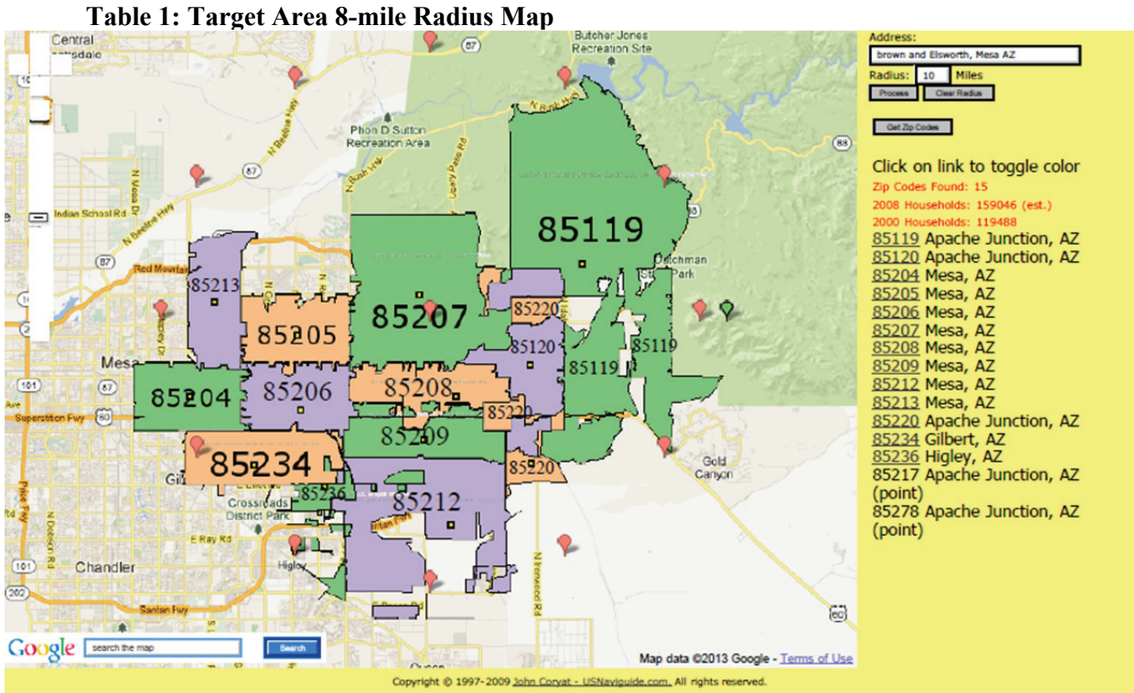
Sierra Preparatory Academy is projected to be located in the vicinity of the Hwy 60 and Hwy 202 loop area in the East Valley. The map below represents an 8-mile radius of the targeted location with respective ZIP codes. The 8-mile target area includes 4 cities and townships of the greater Metro Phoenix - Gilbert, Mesa, Higley and Apache Junction.

Table 1: Target Area 8-mile Radius Map

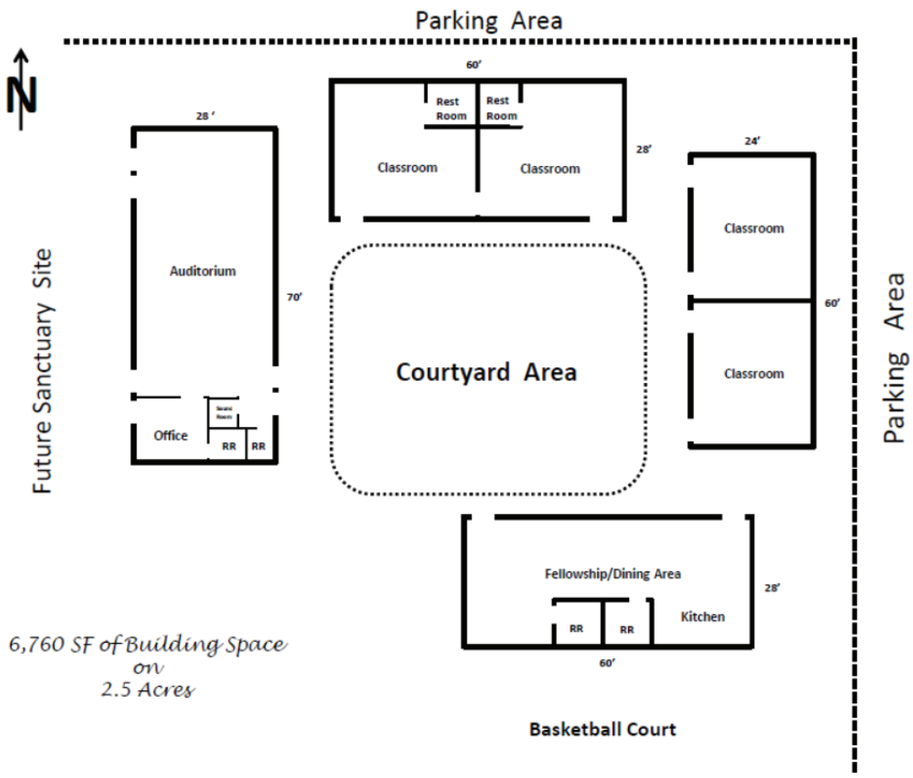


Source of Map: http://maps.huge.info/zipcolors.htm

Upon full enrollment the school facility will have a building area of approx. 14,000 SF with 14 classrooms for general instruction and special use (incl. Chemistry Lab Room, Physics Lab Room, Biology Room, and Resource Room), business offices, reception area, and assembly hall. During Year 1, the facility space need is approximately 8,000 SF, given the projected enrollment of 150 students and the grade levels served. Approximately 6,000 SF of additional classroom space will be needed thereafter to accommodate the program of instruction at full enrollment for the grade levels served.

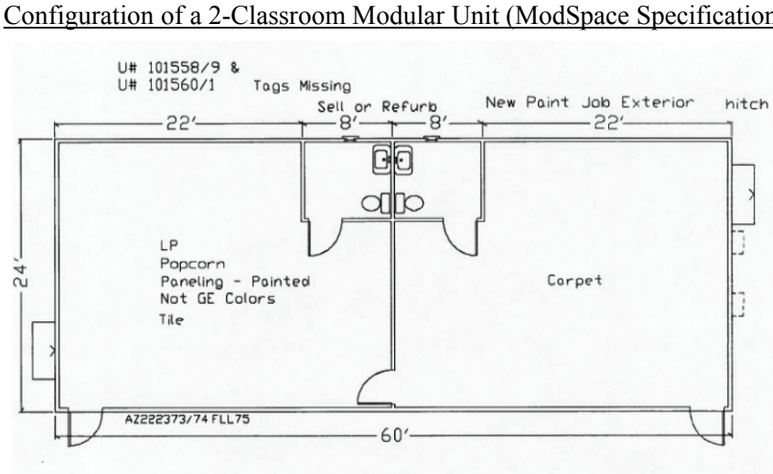
The founders of Sierra Preparatory Academy studied the availability of facilities in the targeted area that are ready to move-in, or could be made ready with small modifications, remodeling and/or building additions and site improvements. At this time the primary target is a church facility in Apache Junction, which already has a built-in area of 6,760 SF on a 2.5 acres of land. The Exhibit below describes the layout of space of the existing buildings and one additional 2-classroom modular unit:

Existing Buildings



Source: *Churchesforsale.com, Layout of space image retrieved on 06-16-2013*

Configuration of a 2-Classroom Modular Unit (ModSpace Specification)



The primary target property is currently configured with 4 classrooms and 2 additional auditoriums that can be used for both instructional and/or assembly purposes. By adding one extra modular unit with 2-classrooms (60/24 feet – 1,440 SF), all educational needs during year 1 will be met. The total building area of the school facility during Year 1 is projected to be approximately 8,200 SF.

By installing four additional modular units (60/24 feet each), a total of 8 new classrooms would be added before start of year 2, which would accommodate the second and third year projected enrollment

and operations. Altogether there will be 5,760 SF of added building space during Year 2, and a total of 13,960 SF at full capacity.

Documentation on available facilities within the target market

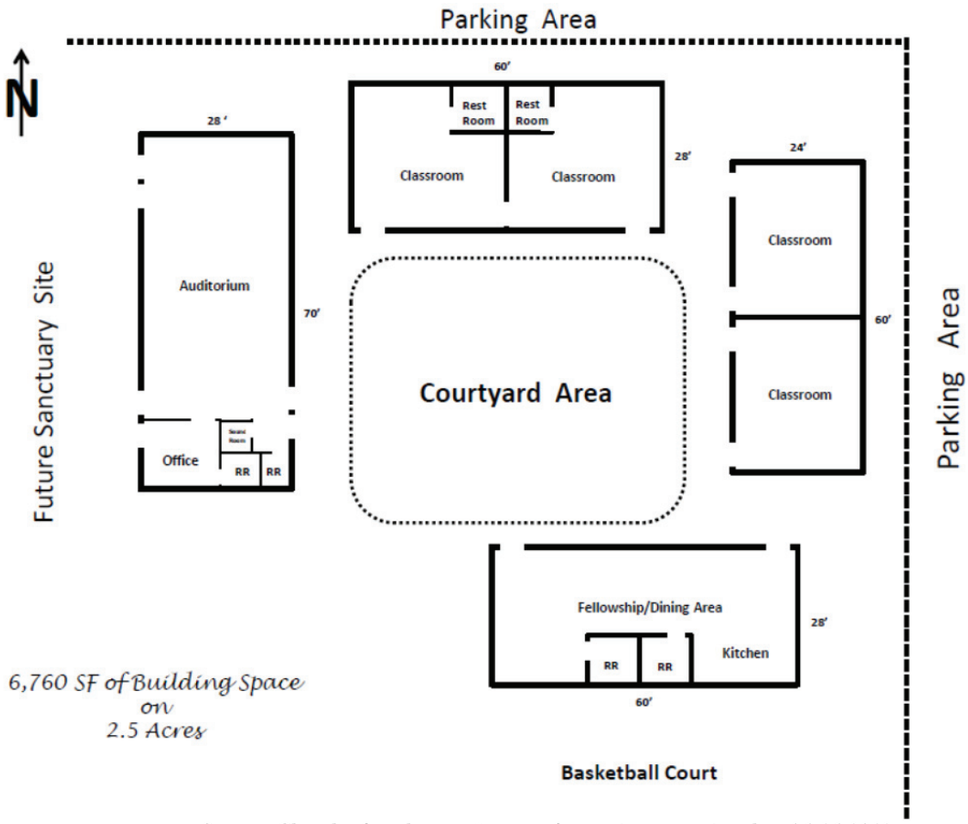
Sierra Preparatory Academy intends to lease a property with a facility conducive to implementing its high school liberal arts program of instruction. The target building size (when fully developed) would be approximately 14,000 SF with 14 classrooms for general instruction and special use (incl. Chemistry Lab Room, Physics Lab Room, Biology Room, and Resource Room), business offices, reception area, and assembly hall.

Sierra Preparatory Academy has identified a property in Apache Junction as a primary facility target, along with two additional properties, should the primary target property become unavailable. More property details and descriptions with photos are available below (next page):

Primary Target Property: **Church Facility: 3147 S Mountain View Road, Apache Junction, AZ 85119**

Source: *Churchesforsale.com, Pictures retrieved on 06-16-2013*

Existing Buildings



Source: *Churchesforsale.com, Layout of space image retrieved on 06-16-2013*

General Description: An existing church facility built in 2005 with 4 doublewide modular units and central courtyard, fully functional. Sanctuary, offices, nursery, class rooms and a fellowship hall. Outdoor basketball sports pad, lots of paved parking. Major features:

- Building Type: Modular Units
- Land Size: 2.5 acres
- Total Built Area: 6,760 SF
- Fence: Block
- Parking: Private Parking, Paved Parking
- Roof: Comp Shingle, Foam
- Year Built: 2005

Additional Available Property - Option 2: **2065 W Obispo Ave, Gilbert, AZ 85234**

Source: *Loopnet, Pictures retrieved on 06-16-2013*

Located within the target area in Gilbert, Arizona. Major features:

Space 102

- Space Available: **17,364 *SF***
- Rental Rate: **$0.65 */SF/Month***
- Lease Type: NNN
- No. Parking Spaces: 146
- Year Built: 2006
- Lot Size: 3.13 AC

Additional Available Property - Option 3: **4738 E Ingram St, Mesa, AZ 85205**

Source: *Loopnet, Pictures retrieved on 06-16-2013*

Located in the heart of East Mesa with easy access to Loop 202 (Red Mountain Freeway). Space to be leased – 17,000SF. Fully sprinklerized. Major features:

- Space Available: 21,690 SF
- Min. Divisible: 17,000 *SF*
- Rental Rate: $0.50 /SF/Month
- Lease Type: Modified Gross
- No. Parking Spaces: 52

Timeframe for securing an appropriate facility

The targeted facility is projected to be secured by February 2014. The on-site school office will be operational by March 1, 2014. All necessary building and property improvements will be financed and managed by the landlord with a target completion date of July 1, 2014. All classrooms and other school amenities necessary for school operation during year 1 will be ready by July 15, 2014.

Costs associated with securing the facility

Sierra Preparatory Academy is working with potential school facility investors/developers who would purchase the targeted school property, bring the property and buildings up to code if necessary, and finance the addition of building space and any other site improvements. The modification of the interior design and floor plans of the existing buildings and the financing of the associated costs is projected to be the responsibility of the landlord and factored into the rent payments.

With such arrangements, Sierra Preparatory Academy would not be required to have any capital outlays for the property acquisition or any of the building modifications and additions, as well as for any improvements related to making the buildings move-in ready with all applicable licenses and permits to operate as a charter school (Certificate of Occupancy, clean Fire Marshal Report, and any other applicable local jurisdiction license to operate as a charter school).

The capital outlays required for compliance with all applicable laws and regulations related to educational occupancy (Certificate of Occupancy, clear Fire Marshal Report, etc.) for the building additions in year 2, as described in Section C.1.d., would be financed fully by the landlord and reflected in respective increases of the base rent levels during year 2 and thereafter.

Sierra Preparatory Academy will be responsible to pay the net rent, which includes property and casualty insurance (a policy held by the landlord) plus all applicable sales and transaction privilege taxes and the property tax (Classification 9, partial tax-exempt). Specifically, the following facility costs are projected during the Start-Up period and first 3 years of operations:

Start-up Period:

Gross rent - $1,000 per month for the 4 months prior to the start of the first year (March-June 2014).

Year 1:

During the first year of operations the existing configuration of the church facility with the addition of one 2-classroom modular unit will suffice to service 150 students at a net rent (property and casualty insurance included) of $8,500 per month and an estimated sales and transaction privilege tax burden of an additional $170 per month. The estimated property tax is approximately $60 per month (based on Classification 9, partial tax-exempt). On that basis, the gross rent due from the school would be $8,730 per month and $104,760 per annum.

Year 2:
Before start of Year 2 the school will need 8 additional classrooms. The landlord will prepare the site and install 4 additional modular units with 2 classrooms each. The additional building space and associated costs will be factored into the base rent as an additional increase of $4,500 per month during Year 2 - the net rent would be $13,000 per month. The gross rent, including sales tax ($260 per month) and property taxes (estimated at $100 per month) during year 2 would be $13,360 per month and $160,320 per annum.

Year 3 and After:

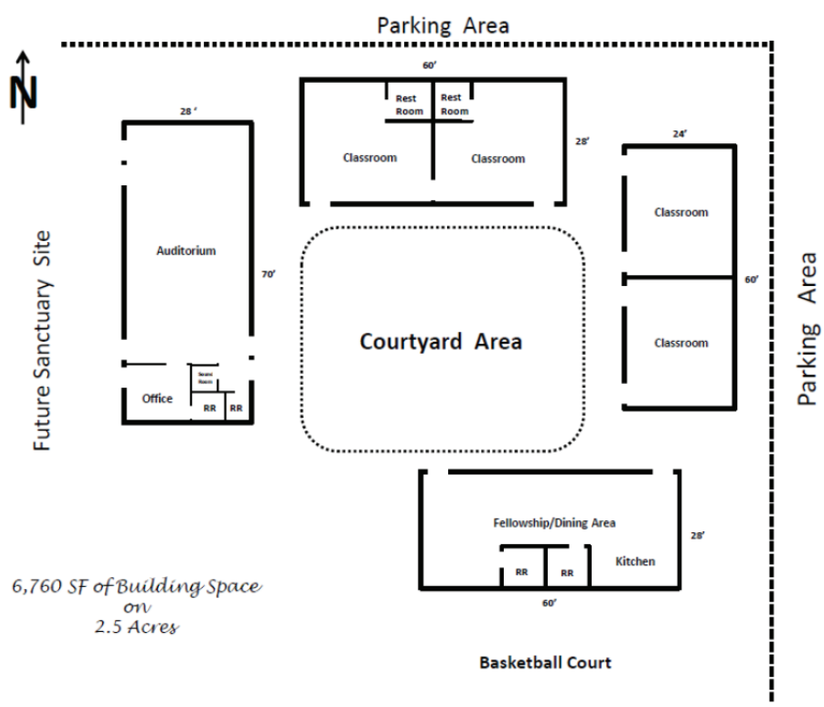
The rent rate is projected to change after Year 2 and thereafter reflect an annual adjustment of 3% increases over the previous year base (net) rent amount. For Year 3 those monthly numbers would be respectively $13,390 net rent, $268 sales tax, and $100 property tax. The gross monthly rent payment in Year 3 would be $13,758, respectively $165,096 per annum.

Financial arrangements for securing the facility

The anticipated financial arrangement for the facility is a 15-year triple-net lease agreement with an option to purchase after the third and before the fifth year from the start of lease. All capital expenditures toward making the facility move-in ready will be financed and performed by the landlord, and reflected in a respective increase of the rent during year 2 to account for the addition of building space, including all costs toward meeting compliance requirements with laws and regulations related to educational occupancy for the existing buildings and all new building additions, as described in Section C.1.d.,. The school will be responsible to pay the net rent, which factors in property and casualty insurance paid by the landlord, plus all applicable sales and transaction privilege taxes, and the property tax (partial tax-exempt, Classification 9).

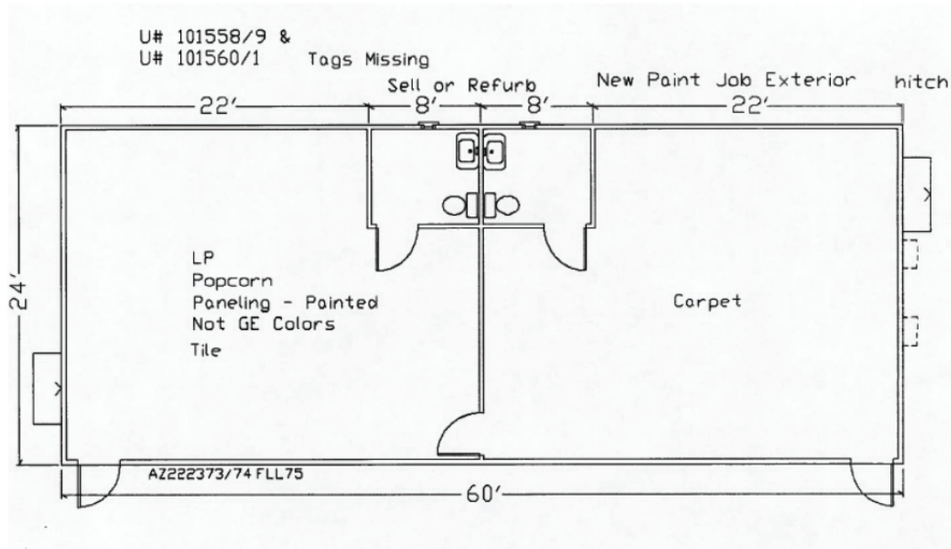
Primary Target Property**: 3147 S Mountain View Road, Apache Junction, AZ 85119**

Existing Buildings



Source: *Churchesforsale.com, Layout of space image retrieved on 06-16-2013*

Configuration of a 2-Classroom Modular Unit (ModSpace Specification)



Start-up Period:

Gross rent - $1,000 per month for 4 months. Total rent paid during start-up period - $4,000.

Year 1:
Gross rent - $8,730 per month and $104,760 per annum.

Year 2:
Gross rent - $13,360 per month and $160,320 per annum.

Year 3 and After:
Gross rent - $13,758, respectively $165,096 per annum.