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August 31, 2017

John Stack  
President  
Cambridge Education Group  
481 N Cleveland-Massillon Rd  
Akron, OH 44333

Re: Lincoln Prep Academy; East Prep Academy; West Prep Academy; Lake Erie International High School; Middlebury Prep Academy and Colonial Prep Academy

Dear Mr. Stack:

Attached is a list of documents the Governing Boards' above-noted are requesting that Cambridge Education Group (Cambridge) submit in order to evidence a change in corporate ownership and structure. As you are aware, the Boards' are willing work with Cambridge so long as Marcus May is no longer an owner of Cambridge or involved with any company or entity affiliated with Cambridge. The School's have requested to receive the following documents by their November 2017 Board Meeting dates.

To our understanding many of the items on the list below are already underway to change the company formation. In the November Board meeting the Boards' will decide whether or not they will withhold management fees from Cambridge based upon the continued involvement of Mr. May as owner.

We all hope that matters are resolved to the benefit of the Schools, community and stakeholders. To this end, look forward to working with you to make the best decision possible.

Please note that this listed was provided to Ms. Businger in "draft format" on August 23, 2017. Below is the formal check list.

Sincerely,

April N. Hart, Esq.  
Board Counsel  
ANH/ks

## Cambridge Due Diligence Check List:

### 1. Audits Conducted

A Copy of the Forensic Audit referred to by Cambridge.

### 2. New Corporate Structure: What Type of Sale of Cambridge is being conducted?

A. If the company will remain an LLC, Please provide a written membership interest sales agreement. This agreement should detail the new member's ownership percentage and the amount of the buy-in.

B. If Sale of Stock:

- Please provide a shareholder list of all shareholders in the company, along with the share holdings for each one.
- List of All Buyers; List of All Sellers
- Classes of stock. Verify the stock ownership of all classes of stock, as well as the voting rights associated with each class.
- Stock Redemption Agreement/Stock Purchase Agreement/Transfer of Stock Certificates: Stocks should evidence whether a new class of preferred stock is created, and the preferences or privileges of that class of stock.
- ROFR: Evidence that there is a *right of first refusal* to ensure that no new shareholders are brought into the company without first giving the company the option to buy the shares proposed to be sold.
- Unpaid dividends. If dividends have been declared but not paid, this becomes a liability of the acquirer. Also, if there is preferred stock that has a set annual dividend percentage, verify that there are no unpaid, cumulative dividends due to investors.
- Stock buyback obligations. Has the company committed to repurchase the stock of any shareholders? If so, at what price and by what date?
- Articles of Incorporation; Bylaws or Operating Agreement.
- Change of Registered trademarks.

### 3. Taxes:

A. Provide for Inspection of last 3 years corporate tax filings and schedules.

B. Please indicate whether there are there undisclosed tax liabilities that have not been paid?

#### **4. Lawsuits:**

A. Current lawsuits. If there are any lawsuits outstanding against Cambridge please disclose and inform the Boards' of their status.

B. Prior lawsuits. If there are any lawsuits within the past five years that were settled, please provide copies of the settlement agreements.

#### **5. Insurance:**

A. Copy of Cambridge's own D&O; Crime and General liability Insurance naming the School as the Insured.

B. List of all current sources of Cambridge Income.

C. Evidence of bank changes in ownership, as well as any resulting change in name, legal structure and EIN or other tax registration numbers

#### **6. Bank Accounts**

A. List of signatories on Cambridge Bank accounts.

#### **7. Disclosures**

A. Disclose Mr. May's past and current business ties with Rearden.

B. Provided tagged list of board equipment at school.

C. Disclose the nature of continuing business with Cambridge Affiliates: including parent corporations, LLC's partnerships and DBA's: including but not limited to Gateway? Midwest?

#### **8. Legal Opinion**

A Legal opinion of all of the items counsel has reviewed prior to giving the opinion (deal documents, corporate records) stating further that, (i) that the company is validly existing and in good standing in the state in which it is formed, (ii) that the signing of the transaction documents is legal and accompanied by the necessary approvals and consents, (iii) exactly what the outstanding capitalization of the company is, (iv) that the issuance of the stock is legal under the relevant SEC exemptions, and (v) that there is no material litigation pending.

Also, please provide a legal opinion indicating whether or not that Marcus May can sell his interest in Cambridge/ Mid-West or any of his companies and whether or not his assets are frozen in Florida.

**9. Secretary's Certificate**

Please provide a Secretary's Certificate attesting to the authenticity and accuracy of the copies of the various deal approvals and governance documents, signed by the secretary of the corporation.

Thank You,

April N. Hart, Esq.

Cc: Governing Authority Board Members  
Brian Adams-Fiscal Officer