

The IMAGINE School, Inc.
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West Palm Beach, Florida 33407
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12 March 2007

Michael J. Burke
Chief Financial Officer
The School District of Palm Beach County
Division of Financial Management
Suite A-306, 3300 Forest Hill Boulevard
West Palm Beach, Florida 33406-5870

Re: Financial Recovery Plan 2007

Dear Mr. Burke:

The IMAGINE School has experienced a financial deficit for the past two years. The negative retained earnings reported at the end of the fiscal year ending on 30 June 2006 was \$51,134.83. However, this reported deficit does not result in a condition of insolvency. This position is based on the net fixed assets in the amount of \$147,784.01, which effectively wipes out the negative retained earnings posted in 2006.

The greatest factor which has led to the school's current financial condition is the reduction in student enrollment. The school lost twenty students from the October to the February FTE count.

Financial Recovery Plan Objectives

The objectives of the financial recovery plan are for the 2007-2008 in year deficit to be reduced to zero, to return the school to an in-month balance by April 2008 and to run in balance for the remainder of academic year ending 30 June 2008. This is a massive undertaking and is proving very challenging. We are optimistic that based on zero based budgeting we will eliminate items that are not affordable.

Strategies for achieving objectives

The financial recovery plan outlines how the school will be operating in a positive cash flow position. The plan has two key components:

- Five staff positions were eliminated effective 19 February 2007.
- All faculty and staff experienced a reduction of salary effective for the payroll of 28 February 2007.

Exhibit B

**Michael J. Burke, Chief Financial Officer, The School District of Palm Beach
County, Financial Recovery Plan for The IMAGINE School, Inc.,
12 March 2007**

These actions are adequate to provide for payment in full of obligations outlined in 218.503(1), Florida State Statutes. The two priorities listed above were important to bring expenditures at the school in line with projected income through 30 June 2007. The time period for the financial recovery plan encompasses an eighteen month period. It is important for The IMAGINE School to be fit for the purpose of providing an exemplary educational program for children in kindergarten through fifth grades.

Fit for purpose

In order to make The IMAGINE School fit for purpose and capable of executing the turnaround plan, three areas will be addressed:

- Management capacity, capability and organizational structure to ensure that the school has adequate management capability and capacity to implement this plan, turn the school around and then run the school in financial balance.
- Adequate accounting and management information
- Culture – turning The IMAGINE School back into a “just imagine the possibilities” organization.

The IMAGINE School’s financial recovery plan has been put in place which targets reducing the in-year deficit for 2007-2008 academic year. However, we currently estimate that the full turnaround will take eighteen months. This section is a summarized version of the full accounts of the school. The financial statements have been prepared by Craig U. Kahle, CPA.

The Imagine School, Inc.
Projected Statements of Net Assets Assuming approval of the financial recovery plan
June 30, 2007 and 2008

	Historical 02/28/2007	Projected 06/30/2007	Projected 06/30/2008
Assets			
Current Assets			
Cash and cash equivalents	\$(70,583)	\$(68,334)	\$32,509
Accounts and Rents Receivable	31,000	31,000	
Prepaid Expenses	2,660	2,660	2,660
Total	(36,923)	(34,674)	35,169
Property and Equipment			
Building Renovations	105,492	105,492	105,492
Furniture, Fixtures & Equipment	89,654	89,654	89,654
Less-Accumulated Depreciation	(47,362)	(51,862)	(65,362)
Total	147,784	143,284	129,784
Other Assets			
Other Assets	6,889	6,889	6,889
Total	6,889	6,889	6,889
Total	\$117,750	\$115,499	\$171,842
Liabilities & Net Assets			
Current Liabilities			
Accounts Payable	\$10,351	\$26,626	\$32,460
Total	10,351	26,626	32,460
Long Term Liabilities			
Loan Payable-A. Milligan	15,420		
Total	15,420		
Net Assets			
Fund Balance	91,979	88,873	139,382
Total	91,979	88,873	139,382
Total	\$117,750	\$115,499	\$171,842

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Activities Assuming approval of the financial recovery plan
For the Five Months Ending June 30, 2007 and the Year Ending June 30, 2008

	Historical 02/28/2007	Projected 06/30/2007	Projected 06/30/2008
Revenue			
FEFP Revenue	\$566,268	\$191,669	\$750,000
Rental Revenue	31,000	8,000	36,000
Grant Revenues	138,343	40,696	96,096
Other Revenues	27,294		
Total	762,905	240,365	882,096
Classroom Instruction and Support Services			
Classroom Instruction (5000)	300,383	88,209	423,635
Pupil Personnel Services (6100)	15,363	4,558	11,000
Instructional Staff Training (6400)	3,760	1,232	1,650
Total	319,506	93,999	436,285
Subtotal Classroom	443,399	146,366	445,811
General Support Services			
Board (7100)	2,553		
General Administration (7200)	25,462	9,583	39,792
School Administration (7300)	129,058	13,839	139,146
Facilities Acquisition and Construction (7400)	194,875	88,144	156,000
Fiscal Services (7500)	16,331	8,484	14,680
Food Services (7600)	2,091	739	2,400
Operation of Plant (7900)	60,146	23,146	26,784
Maintenance of Plant (8100)	11,471	1,037	3,000
Depreciation Expense (9900)	6,082	4,500	13,500
Total	448,069	149,472	395,302
Net Income	\$(4,670)	\$(3,106)	\$50,509

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
 Projected Statements of Cash Flows Assuming approval of the financial recovery plan
 For the Five Months Ending June 30, 2007 and the Year Ending June 30, 2008

	Projected 06/30/2007	Projected 06/30/2008
Cash Flows from Operating Activities		
Net Income(Loss)	\$(3,106)	\$50,509
Adjustments:		
Depreciation and amortization	4,500	13,500
Change in Accounts Receivable		31,000
Change in Accounts Payable	16,275	5,834
Total	17,669	100,843
Cash Flows from Financing Activities		
Change in Loan Payable-A. Milligan	(15,420)	
Total	(15,420)	
Net Increase(Decrease) in Cash	2,249	100,843
Cash at Beginning of Period	(70,583)	(68,334)
Cash at End of Period	\$(68,334)	\$32,509

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Net Assets Assuming approval of the financial recovery plan
June 30, 2007 and 2008

	Projected 03/31/2007	Projected 04/30/2007	Projected 05/31/2007	Projected 06/30/2007
Assets				
Current Assets				
Cash and cash equivalents	\$(63,118)	\$(65,278)	\$(64,802)	\$(68,334)
Accounts and Rents Receivable	31,000	31,000	31,000	31,000
Prepaid Expenses	2,660	2,660	2,660	2,660
Total	(29,458)	(31,618)	(31,142)	(34,674)
Property and Equipment				
Building Renovations	105,492	105,492	105,492	105,492
Furniture, Fixtures & Equipment	89,654	89,654	89,654	89,654
Less-Accumulated Depreciation	(48,487)	(49,612)	(50,737)	(51,862)
Total	146,659	145,534	144,409	143,284
Other Assets				
Other Assets	6,889	6,889	6,889	6,889
Total	6,889	6,889	6,889	6,889
Total	\$124,090	\$120,805	\$120,156	\$115,499
Liabilities & Net Assets				
Current Liabilities				
Accounts Payable	\$32,698	\$30,099	\$30,062	\$26,626
Total	32,698	30,099	30,062	26,626
Net Assets				
Fund Balance	91,392	90,706	90,094	88,873
Total	91,392	90,706	90,094	88,873
Total	\$124,090	\$120,805	\$120,156	\$115,499

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Activities Assuming approval of the financial recovery plan
For the Five Months Ending June 30, 2007 and the Year Ending June 30, 2008

	Projected March	Projected April	Projected May	Projected June	Projected 06/30/2007
Revenue					
FEFP Revenue	\$57,500	\$44,723	\$44,723	\$44,723	\$191,669
Rental Revenue	2,000	2,000	2,000	2,000	8,000
Grant Revenues	6,434	13,914	13,914	6,434	40,696
Total	65,934	60,637	60,637	53,157	240,365
Classroom Instruction and Support Services					
Classroom Instruction (5000)	23,695	23,580	23,506	17,428	88,209
Pupil Personnel Services (6100)	1,513	1,513	1,513	19	4,558
Instructional Staff Training (6400)	308	308	308	308	1,232
Total	25,516	25,401	25,327	17,755	93,999
Subtotal Classroom	40,418	35,236	35,310	35,402	\$146,366
General Support Services					
General Administration (7200)	2,875	2,236	2,236	2,236	9,583
School Administration (7300)	4,167	3,199	3,199	3,274	13,839
Facilities Acquisition and Construction (7400)	22,036	22,036	22,036	22,036	88,144
Fiscal Services (7500)	3,246	1,746	1,746	1,746	8,484
Food Services (7600)	739				739
Operation of Plant (7900)	6,080	5,480	5,480	6,106	23,146
Maintenance of Plant (8100)	737	100	100	100	1,037
Depreciation Expense (9900)	1,125	1,125	1,125	1,125	4,500
Total	41,005	35,922	35,922	36,623	149,472
Net Income	\$(587)	\$(686)	\$(612)	\$(1,221)	\$(3,106)

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Cash Flows Assuming approval of the financial recovery plan
For the Five Months Ending June 30, 2007 and the Year Ending June 30, 2008

	Projected March	Projected April	Projected May	Projected June	Projected 06/30/2007
Cash Flows from Operating Activities					
Net Income(Loss)	\$(587)	\$(686)	\$(612)	\$(1,221)	\$(3,106)
Adjustments:					
Depreciation and amortization	1,125	1,125	1,125	1,125	4,500
Change in Accounts Payable	22,347	(2,599)	(37)	(3,436)	16,275
Total	22,885	(2,160)	476	(3,532)	17,669
Cash Flows from Financing Activities					
Change in Loan Payable-A. Milligan	(15,420)				(15,420)
Total	(15,420)				(15,420)
Net Increase(Decrease) in Cash	7,465	(2,160)	476	(3,532)	2,249
Cash at Beginning of Period	(70,583)	(63,118)	(65,278)	(64,802)	(70,583)
Cash at End of Period	\$(63,118)	\$(65,278)	\$(64,802)	\$(68,334)	\$(68,334)

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Net Assets Assuming approval of the financial recovery plan
June 30, 2007 and 2008

	Projected 07/31/2007	Projected 08/31/2007	Projected 09/30/2007	Projected 10/31/2007	Projected 11/30/2007	Projected 12/31/2007
Assets						
Current Assets						
Cash and cash equivalents	\$(55,080)	\$(49,170)	\$(41,091)	\$(33,087)	\$(25,083)	\$(17,079)
Accounts and Rents Receivable	28,415	25,830	23,245	20,660	18,075	15,490
Prepaid Expenses	2,660	2,660	2,660	2,660	2,660	2,660
Total	(24,005)	(20,680)	(15,186)	(9,767)	(4,348)	1,071
Property and Equipment						
Building Renovations	105,492	105,492	105,492	105,492	105,492	105,492
Furniture, Fixtures & Equipment	89,654	89,654	89,654	89,654	89,654	89,654
Less-Accumulated Depreciation	(52,987)	(54,112)	(55,237)	(56,362)	(57,487)	(58,612)
Total	142,159	141,034	139,909	138,784	137,659	136,534
Other Assets						
Other Assets	6,889	6,889	6,889	6,889	6,889	6,889
Total	6,889	6,889	6,889	6,889	6,889	6,889
Total	\$125,043	\$127,243	\$131,612	\$135,906	\$140,200	\$144,494
Liabilities & Net Assets						
Current Liabilities						
Accounts Payable	\$36,213	\$33,969	\$34,044	\$34,044	\$34,044	\$34,044
Total	36,213	33,969	34,044	34,044	34,044	34,044
Net Assets						
Fund Balance	88,830	93,274	97,568	101,862	106,156	110,450
Total	88,830	93,274	97,568	101,862	106,156	110,450
Total	\$125,043	\$127,243	\$131,612	\$135,906	\$140,200	\$144,494

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Net Assets Assuming approval of the financial recovery plan
June 30, 2007 and 2008

	Projected 01/31/2008	Projected 02/28/2008	Projected 03/31/2008	Projected 04/30/2008	Projected 05/31/2008	Projected 06/30/2008
Assets						
Current Assets						
Cash and cash equivalents	\$(9,075)	\$(1,071)	\$6,933	\$14,937	\$22,941	\$32,509
Accounts and Rents Receivable	12,905	10,320	7,735	5,150	2,565	
Prepaid Expenses	2,660	2,660	2,660	2,660	2,660	2,660
Total	6,490	11,909	17,328	22,747	28,166	35,169
Property and Equipment						
Building Renovations	105,492	105,492	105,492	105,492	105,492	105,492
Furniture, Fixtures & Equipment	89,654	89,654	89,654	89,654	89,654	89,654
Less-Accumulated Depreciation	(59,737)	(60,862)	(61,987)	(63,112)	(64,237)	(65,362)
Total	135,409	134,284	133,159	132,034	130,909	129,784
Other Assets						
Other Assets	6,889	6,889	6,889	6,889	6,889	6,889
Total	6,889	6,889	6,889	6,889	6,889	6,889
Total	\$148,788	\$153,082	\$157,376	\$161,670	\$165,964	\$171,842
Liabilities & Net Assets						
Current Liabilities						
Accounts Payable	\$34,044	\$34,044	\$34,044	\$34,044	\$34,044	\$32,460
Total	34,044	34,044	34,044	34,044	34,044	32,460
Net Assets						
Fund Balance	114,744	119,038	123,332	127,626	131,920	139,382
Total	114,744	119,038	123,332	127,626	131,920	139,382
Total	\$148,788	\$153,082	\$157,376	\$161,670	\$165,964	\$171,842

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Activities Assuming approval of the financial recovery plan
For the Five Months Ending June 30, 2007 and the Year Ending June 30, 2008

	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December
Revenue						
FEFP Revenue	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500
Rental Revenue	3,000	3,000	3,000	3,000	3,000	3,000
Grant Revenues	8,008	8,008	8,008	8,008	8,008	8,008
Total	73,508	73,508	73,508	73,508	73,508	73,508
Classroom Instruction and Support Services						
Classroom Instruction (5000)	36,255	35,368	35,518	35,518	35,518	35,518
Pupil Personnel Services (6100)		1,000	1,000	1,000	1,000	1,000
Instructional Staff Training (6400)		150	150	150	150	150
Total	36,255	36,518	36,668	36,668	36,668	36,668
Subtotal Classroom	37,253	36,990	36,840	36,840	36,840	36,840
General Support Services						
General Administration (7200)	3,316	3,316	3,316	3,316	3,316	3,316
School Administration (7300)	12,283	11,533	11,533	11,533	11,533	11,533
Facilities Acquisition and Construction (7400)	13,000	13,000	13,000	13,000	13,000	13,000
Fiscal Services (7500)	4,890	890	890	890	890	890
Food Services (7600)	200	200	200	200	200	200
Operation of Plant (7900)	2,232	2,232	2,232	2,232	2,232	2,232
Maintenance of Plant (8100)	250	250	250	250	250	250
Depreciation Expense (9900)	1,125	1,125	1,125	1,125	1,125	1,125
Total	37,296	32,546	32,546	32,546	32,546	32,546
Net Income	\$(43)	\$4,444	\$4,294	\$4,294	\$4,294	\$4,294

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Activities Assuming approval of the financial recovery plan
For the Five Months Ending June 30, 2007 and the Year Ending June 30, 2008

	Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Projected 06/30/2008
Revenue							
FEFP Revenue	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500	\$750,000
Rental Revenue	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Grant Revenues	8,008	8,008	8,008	8,008	8,008	8,008	96,096
Total	73,508	73,508	73,508	73,508	73,508	73,508	882,096
Classroom Instruction and Support Services							
Classroom Instruction (5000)	35,518	35,518	35,518	35,518	35,518	32,350	423,635
Pupil Personnel Services (6100)	1,000	1,000	1,000	1,000	1,000	1,000	11,000
Instructional Staff Training (6400)	150	150	150	150	150	150	1,650
Total	36,668	36,668	36,668	36,668	36,668	33,500	436,285
Subtotal Classroom	36,840	36,840	36,840	36,840	\$36,840	40,008	445,811
General Support Services							
General Administration (7200)	3,316	3,316	3,316	3,316	3,316	3,316	39,792
School Administration (7300)	11,533	11,533	11,533	11,533	11,533	11,533	139,146
Facilities Acquisition and Construction (7400)	13,000	13,000	13,000	13,000	13,000	13,000	156,000
Fiscal Services (7500)	890	890	890	890	890	890	14,680
Food Services (7600)	200	200	200	200	200	200	2,400
Operation of Plant (7900)	2,232	2,232	2,232	2,232	2,232	2,232	26,784
Maintenance of Plant (8100)	250	250	250	250	250	250	3,000
Depreciation Expense (9900)	1,125	1,125	1,125	1,125	1,125	1,125	13,500
Total	32,546	32,546	32,546	32,546	32,546	32,546	395,302
Net Income	\$4,294	\$4,294	\$4,294	\$4,294	\$4,294	\$7,462	\$50,509

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
 Projected Statements of Cash Flows Assuming approval of the financial recovery plan
 For the Five Months Ending June 30, 2007 and the Year Ending June 30, 2008

	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December
Cash Flows from Operating Activities						
Net Income(Loss)	\$(43)	\$4,444	\$4,294	\$4,294	\$4,294	\$4,294
Adjustments:						
Depreciation and amortization	1,125	1,125	1,125	1,125	1,125	1,125
Change in Accounts Receivable	2,585	2,585	2,585	2,585	2,585	2,585
Change in Accounts Payable	9,587	(2,244)	75			
Total	13,254	5,910	8,079	8,004	8,004	8,004
Cash at Beginning of Period	(68,334)	(55,080)	(49,170)	(41,091)	(33,087)	(25,083)
Cash at End of Period	\$(55,080)	\$(49,170)	\$(41,091)	\$(33,087)	\$(25,083)	\$(17,079)

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Imagine School, Inc.
Projected Statements of Cash Flows Assuming approval of the financial recovery plan
For the Five Months Ending June 30, 2007 and the Year Ending June 30, 2008

	Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Projected 06/30/2008
Cash Flows from Operating Activities							
Net Income(Loss)	\$4,294	\$4,294	\$4,294	\$4,294	\$4,294	\$7,462	\$50,509
Adjustments:							
Depreciation and amortization	1,125	1,125	1,125	1,125	1,125	1,125	13,500
Change in Accounts Receivable	2,585	2,585	2,585	2,585	2,585	2,565	31,000
Change in Accounts Payable						(1,584)	5,834
Total	8,004	8,004	8,004	8,004	8,004	9,568	100,843
Cash at Beginning of Period	(17,079)	(9,075)	(1,071)	6,933	14,937	22,941	(68,334)
Cash at End of Period	\$(9,075)	\$(1,071)	\$6,933	\$14,937	\$22,941	\$32,509	\$32,509

See accompanying Summary of Significant Projection Assumptions and Accounting Policies.

The Board of Directors of The IMAGINE School ensures that:

1. There are effective management systems in place to safeguard public funds and assets and assisting in the implementation of the school's financial recovery plan;
2. The establishment of zero-based budgeting eliminates items that are not affordable;
3. The level of operations can be sustained with recurring revenues.

We, the Board of Directors respectfully request your favorable consideration and approval of the financial recovery plan.

Sincerely,
The IMAGINE School, Inc.

By: _____
Diane Allergyce, Ph.D. as its
Chairperson

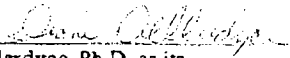
The Board of Directors of The IMAGINE School ensures that:

1. There are effective management systems in place to safeguard public funds and assets and assisting in the implementation of the school's financial recovery plan;
2. The establishment of zero-based budgeting eliminates items that are not affordable;
3. The level of operations can be sustained with recurring revenues.

We, the Board of Directors respectfully request your favorable consideration and approval of the financial recovery plan.

Sincerely,
The IMAGINE School, Inc.

By:


Diane Allerdyce, Ph.D. as its
Chairperson