CHARTER SCHOOL AGREEMENT

DATED AS OF 8th DAY OF June, 2005

BETWEEN

DISTRICT OF COLUMBIA PUBLIC
CHARTER SCHOOL BOARD

AND

APPLETREE EARLY LEARNING

PUBLIC CHARTER SCHOOL

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CHARTER SCHOOL AGREEMENT

This CHARTER SCHOOL AGREEMENT (this "**Agreement**") is dated as of June 8, 2005 and entered into by and between the DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD (the "**Board**") and APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL, INC., a District of Columbia nonprofit corporation (the "**School Corporation**").

RECITALS

WHEREAS, pursuant to Section 38-1802.03 of the District of Columbia School Reform Act of 1995, as amended (as now and hereafter in effect, or any successor statute, the "**Act**"), the Board has the authority to approve petitions to establish charter schools in the District of Columbia;

WHEREAS, the School Corporation submitted a petition in accordance with Section 38-1802.02 of the Act to establish a public charter school (such petition, as amended through the date hereof, the "**Application**"; a copy is attached hereto as Exhibit A);

WHEREAS, the Board has (i) determined that the Application satisfies the requirements set forth in Subchapter II of the Act and (ii) approved the Application subject to the execution of this Agreement by the Board and the School Corporation; and

WHEREAS, the Board and the School Corporation hope to foster a cooperative and responsive working relationship;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the Board and the School Corporation agree as follows:

SECTION 1. ESTABLISHMENT OF SCHOOL

1.1 Charter. The School Corporation shall establish a public charter school (the "**School**") in the District of Columbia and shall operate such school in accordance with the Act, this Agreement and the Application. The Application is incorporated in this Agreement and binding on the School Corporation. To the extent any provision in this Agreement conflicts with any provision of the Application, the provision in this Agreement shall govern. This Agreement and the Application shall constitute the School Corporation's charter for purposes of Section 38-1802.03(h)(2) of the Act.

1.2 Term; Renewal. **A.** This Agreement shall commence on the date hereof and shall continue for a term of fifteen years unless sooner terminated in accordance with Section 7.1 hereof.

B. The School Corporation may seek to renew its authority to operate the School as a public charter school in the District of Columbia pursuant to the terms of the Act and any rules established by the Board. If such renewal is granted by the Board, the Board and the

School Corporation shall (i) renew this Agreement with amendments satisfactory to the Board and the School Corporation or (ii) enter into a substitute agreement satisfactory to the Board and the School Corporation.

1.3 Location; Permits. The School shall be located at 680 I Street, SW Washington, D.C. 20024 (the School Corporation's fee or leasehold interest in such property, the "**School Property**"). The School Corporation shall not operate the School at a location other than the School Property without the prior written consent of the Board. The Board reserves the right to delay or prohibit the School's opening until the School Corporation has provided the Board with each of the following items:

A. At least 30 days prior to the first day of the School's first academic year, the School Corporation shall submit to the Board (i) a report regarding the status of all Authorizations required for the School Corporation's use of the School Property, including occupancy permits and health and safety approvals, and (ii) a report identifying any lease, sublease, deed or other instrument authorizing the use or evidencing the ownership of the School Property by the School Corporation and summarizing any financing entered into in connection therewith, along with true, correct and complete copies of each of the documents referenced in the report. "**Authorizations**" shall mean (a) any consent, approval, license, ruling, permit, certification, exemption, filing, variance, order, decree, directive or other authorization of, by or with, (b) any notice to or from, (c) any declaration of or with, or (d) any registration with, any governmental authority, in each case relating to the operation of the School.

B. The School Corporation shall provide the Board a copy of the certificate of occupancy for the School Property certified by an officer of the School Corporation, a member of the Board of Trustees or the chief administrator of the School as true, correct and complete.

C. The School Corporation shall provide the Board the certificates of insurance required by Section 4.4, within the time periods set forth in Section 4.4.

D. The School Corporation shall provide the Board with true, correct and complete copies of any agreements entered into for the provision of food services at the School, or if no such agreements have been entered, a detailed description of how such food services will be provided at the School.

E. The School Corporation shall provide the Board with a certification from an officer of the School Corporation, a member of the Board of Trustees or the chief administrator of the School that the School Corporation has complied in all respects with Section 38-1802.04(c)(1) of the Act in connection with any procurement contracts entered into by or in the name of the School Corporation.

F. The School Corporation shall provide the Board with a certification from an officer of the School Corporation, a member of the Board of Trustees or the chief administrator of the School that the School Corporation has in place all health and safety procedures required by law, including a fire evacuation plan.

G. The School Corporation shall provide the Board with a certification from an officer of the School Corporation, a member of the Board of Trustees or the chief administrator of the School that the School Corporation has conducted background checks on all employees and persons who volunteer 10 or more hours per week at the School.

H. The School Corporation shall provide the Board with a certification from an officer of the School Corporation, a member of the Board of Trustees or the chief administrator of the School that the School Corporation has sufficient books and other supplies for all students attending the School and that curriculum materials have been developed and provided to all teachers at the School.

I. The School Corporation shall provide the Board with a certification from an officer of the School Corporation, a member of the Board of Trustees or the chief administrator of the School that all signed employment contracts entered into by the School Corporation are on file at the School.

A copy of any information submitted to the Board or otherwise required by Clauses A-I of this Section 1.3 shall be kept on file at the School.

SECTION 2. EDUCATIONAL PROGRAM

2.1 Mission Statement. The School Corporation shall operate the School in accordance with the mission statement set forth in the Application.

2.2 Age; Grade. In its first academic year, the School shall instruct students in preschool and pre-kindergarten. In subsequent academic years, in accordance with Schedule I, the School may instruct students in grades preschool, pre-kindergarten and kindergarten. The School shall not instruct students of any other grade without the prior written consent of the Board.

2.3 Enrollment. **A.** Enrollment in the School shall be open to any pupil in pre-school and pre-kindergarten as set forth in Section 2.2 who resides in the District of Columbia. Students who are not residents of the District of Columbia may be enrolled at the School to the extent permitted by the Act. The School Corporation shall determine whether each pupil resides in the District of Columbia according to guidelines established by the Board. Subject to clause B below, the School Corporation shall maintain an enrollment of no more than thirty-six (36) pupils in its first academic year and no more than seventy-two (72) pupils in subsequent academic years substantially in accordance with Schedule I attached hereto.

B. No later than April 1, 2009 and April 1, 2014, the School Corporation may petition the Board in writing to change the maximum enrollment of the School for the five academic years succeeding the deadline applicable to such petition. The Board shall review the petition and determine the maximum enrollment of the School for such five-year period. The School Corporation shall provide promptly to the Board any additional information requested by the Board in connection with such petition. Notwithstanding the foregoing, prior to the end of any five-year period, the School Corporation may petition the Board to increase the maximum enrollment of the School from the original maximum enrollment for such five-year period provided that the School Corporation delivers to the Board (i) evidence that (a) the School

educational program at the School is satisfactory and will not deteriorate as a result of such increase and (ii) such other items as the Board may request.

C. If eligible applicants for enrollment at the School for any academic year exceed the number of spaces available at the School for such academic year, the School Corporation shall select students pursuant to the random selection process set forth as Exhibit B attached hereto. The School Corporation shall notify the Board in writing of any material change to the random selection process at least 60 days prior to the date (as set forth in the notice to the Board) of the proposed implementation thereof. With respect to any such proposed change, the School Corporation shall consider any comments of the Board, its staff and its agents in connection with such change. The School Corporation shall not implement any material change to the random selection process unless after giving effect to such change the random selection process would (i) include (a) an annual deadline for enrollment applications that is fair and set in advance of such deadline and (b) a process for selecting students for each academic year (1) if applications submitted by the deadline exceed available spaces for such academic year, and (2) for spaces available after the beginning of such academic year, (ii) publicize the application deadline and the selection processes, and (iii) provide a procedure to determine whether applicants reside in the District of Columbia.

D. The School Corporation shall keep records of student enrollment and daily student attendance that are accurate and sufficient to permit preparation of the reports described in Sections 5.1E and Section 5.1F.

2.4 Curriculum. **A.** The School Corporation shall design and implement the educational program set forth in the Application, as modified in accordance with this Agreement. The School Corporation shall notify the Board in writing of any change in the curriculum or instructional method of the School that is a significant departure from the curriculum or instructional method in the plan set forth in the Application as amended in accordance with this Agreement at least 120 days prior to the date (as set forth in the notice to the Board) of the proposed implementation thereof (the "**Implementation Date**"). With respect to any such proposed change, the School Corporation shall consider any comments of the Board, its staff and its agents in connection with such change. The School Corporation shall provide promptly to the Board any materials requested by the Board in connection with such change in curriculum or instructional method.

B. The School Corporation shall not implement any material change in the curriculum or instructional method of the School without the prior written consent of the Board if:

(i) the Board has previously notified the School Corporation in writing that the School Corporation is on probation for failure to satisfy performance targets set forth in the Accountability Plan and such notice has not been rescinded by the Board in writing; or

(ii) the Board determines in consultation with the School Corporation that such change would constitute a significant departure from the mission and goals set forth in the Application, as previously amended in accordance with this

Agreement, and notifies the School Corporation of such determination in writing within 60 days after the Board receives notification of such change.

2.5 Standards. As part of its Accountability Plan, the School Corporation shall adopt student content and performance standards for all subject areas at all grade or other performance levels served by the School. The School's educational program shall be aligned with the School's content and performance standards.

2.6 Students with Disabilities. The School Corporation shall comply with all federal requirements concerning the education of students with disabilities and shall designate and notify the Board and the Director of the Office of Special Education of the District of Columbia Public Schools of the individual responsible for case management of the education of the School's students with disabilities. At least 30 days prior to the first day of the School's first academic year, the School Corporation shall notify the Board in writing of its election to act as either a local education agency or a District of Columbia Public School for purposes of Part B of the Individuals with Disabilities Education Act, as amended, and Section 504 of the Rehabilitation Act of 1973, as amended. The School Corporation shall notify the Board in writing by April 1 prior to any academic year for which the School Corporation shall change such election from the current academic year.

2.7 Student Policies; Expulsion and Suspension. **A.** No later than 30 days prior to the beginning of the School's first academic year, the School Corporation shall deliver to the Board in writing copies of the policies governing students at the School. The School Corporation shall notify the Board in writing of any material change to such policies within 30 days of the adoption of such change. The School Corporation shall consider the comments of the Board, its staff and its agents in connection with such policies. Notwithstanding the foregoing, the policies regarding the expulsion or suspension of students shall be as set forth in Exhibit C hereto. The School Corporation shall make the policies governing students at the School available in writing to parents and students.

B. The School Corporation shall notify the Board promptly of any expulsion or any suspension of more than 5 school days of any student enrolled in the School.

SECTION 3. EVALUATION

3.1 Accountability Plan. **A.** The School Corporation shall develop an accountability plan setting forth (i) goals, content and performance standards and performance indicators for the School, (ii) specific annual and long-term performance targets for such performance indicators related to each goal, (iii) a method to measure the School's achievement of such performance targets, (iv) timelines for achieving performance targets set forth in the Accountability Plan, (v) procedures for taking corrective action when the School's performance falls below such performance targets, (vi) strategies for reporting the School's performance and progress to parents, the community and the Board, and (vii) such other items as the Board may require. In developing or modifying an accountability plan, the School Corporation shall cooperate with the Board, its staff and its agents.

B. Within six months after the beginning of the School's first academic year, the School Corporation shall submit an accountability plan in writing to the Board. Upon notice to the School Corporation of the Board's approval of an accountability plan, such accountability plan (the "**Accountability Plan**") shall be attached to this Agreement and, without further action by the Board or the School Corporation, shall become a part hereof and be binding upon the School Corporation.

C. The School Corporation shall provide the Board written notice of any change in the Accountability Plan at least 120 days prior to the proposed implementation thereof. If such change significantly amends the performance goals, objectives, standards, indicators, targets or other basis against which the School Corporation has elected to have its performance judged, the School Corporation shall not implement such change without the prior written approval of the Board. With respect to any other proposed change in the Accountability Plan, the School Corporation shall consider any comments of the Board, its staff and its agents in connection with such change. With respect to any proposed change in the Accountability Plan requiring the Board's approval, the Board shall rule on such change within 90 days after the Board's receipt thereof.

3.2 Corrective Action. In connection with the Board's review of the School's performance, if the Board determines that the School is not progressing toward one or more performance goals set forth in the Accountability Plan or that the quality of the School's educational program is not satisfactory, then the Board, in consultation with the School Corporation, may require the School Corporation to develop and implement a corrective action plan. Nothing contained herein shall restrict the Board's ability to revoke the School Corporation's charter in accordance with the Act.

3.3 Standardized Testing. At a minimum, the School Corporation shall administer, in accordance with the policies of the governmental body responsible for the District of Columbia Public Schools (the "**Board of Education**"), any District-wide assessments used to measure student achievement required by the Board of Education to be administered in public schools in the District of Columbia covering the same grades or ages as the School and the results of which the Board of Education intends to make publicly available; provided that with respect to students receiving special education, the School Corporation shall only be required to administer tests related to such students' individual education plans.

SECTION 4. CONTRACTS

4.1 Contracts. **A.** The School Corporation shall submit to the Board with respect to any procurement contract awarded by the School Corporation and that has a value equal to or in excess of $25,000, not later than 3 days after the date on which such award is made: (i) all bids received for such contract, (ii) the name of the party awarded such contract and (iii) the rationale for such award. The foregoing does not apply to any contract for lease or purchase of real property, any employment contract for a staff member of the School Corporation, or any management contract with a management company designated herein.

B. Each contract described in clause A above shall be referred to herein as a "**Material Contract**." Upon the request of the Board, the School Corporation shall deliver to the Board copies of any Material Contract.

4.2 Contracts for School Management. **A.** Without the prior written consent of the Board, the School Corporation shall not (i) enter into any contract (a "**School Management Contract**") for the management of the School by another entity, (ii) cancel or terminate or provide a notice of cancellation or termination of any School Management Contract or consent to or accept any cancellation or termination thereof, or (iii) enter into any material amendment, modification or supplement of any School Management Contract.

B. If the Board has previously notified the School Corporation in writing that the School Corporation is on probation for failure to satisfy performance targets set forth in the Accountability Plan or for fiscal management reasons and such notice has not been rescinded by the Board in writing, the School Corporation shall notify the Board in writing 5 business days prior to taking any of the following actions: (1) waiving any material default under, or material breach of, any School Management Contract or waiving, failing to enforce, forgiving, compromising, settling, adjusting or releasing any material right, interest or entitlement, howsoever arising, under, or in respect of any School Management Contract, or giving any consent, waiver or approval under any School Management Contract, or in any way varying, or agreeing to the variation of, any material provision of any School Management Contract or of the performance of any material covenant or obligation by any other party under any School Management Contract, or (2) providing any notice, request or other document permitted or required to be provided pursuant to any School Management Contract affecting any material rights, benefits or obligations under any such School Management Contract in any material respect. If the Board so notifies the School Corporation in writing prior to the intended date of such action, the Board shall have the right to approve such action, and the School Corporation shall not take such action without the prior written consent of the Board.

4.3 Insurance Coverage. **A.** The School Corporation shall procure and maintain in full force and effect at all times insurance policies with an independent insurance broker with a license in the District of Columbia providing at least the limits and coverage provisions set forth below:

(i) Workers' compensation insurance as required by applicable Law. "**Law**" shall mean any statute, law, constitutional provision, code, regulation, ordinance, rule, judgment, order, decree, permit, concession, grant, franchise, license, agreement, directive, binding guideline or policy or rule of common law, requirement of, or other governmental restriction of or determination by, or any interpretation of any of the foregoing by, any governmental authority, whether now or hereafter in effect.

(ii) General liability insurance on an occurrence basis against claims for personal injury (including bodily injury and death) and property damage. Such insurance shall provide coverage with a $1,000,000 minimum limit per occurrence for combined bodily injury and property damage, a maximum

deductible of $2,500 per occurrence and aggregate limits of liability of at least $2,000,000.

(iii) Automobile liability insurance against claims for personal injury (including bodily injury and death) and property damage covering all owned, lease non-owned and hired motor vehicles, including loading and unloading, with a $1,000,000 minimum limit per occurrence for combined bodily injury and property damage and containing appropriate no-fault insurance provisions wherever applicable.

(iv) Excess liability insurance on an occurrence basis covering claims in excess of the underlying insurance described in the foregoing clauses (ii) and (iii), with (a) if the School provides transportation for any of its students, a $5,000,000 minimum limit per occurrence and (b) otherwise, a $3,000,000 minimum limit per occurrence; provided that aggregate limits of liability, if any, shall apply separately to each location.

(v) Property damage insurance on an "all risk" basis, boiler and machinery insurance on a comprehensive basis and providing coverage for (a) the School Corporation in a minimum aggregate amount equal to the "full insurable value" of the School Property, and (b) attorneys' fees, engineering and other consulting costs, and permit fees directly incurred in order to repair or replace damaged insured property in a minimum amount sufficient to cover 100% of the cost to reconstruct the School Property. For purposes of this clause (v), "full insurable value" shall mean the full replacement value of the School Property, including any improvements, equipment, fuel and supplies, without deduction for physical depreciation and/or obsolescence; all such policies may have deductibles of not greater than $2,500 per occurrence; provided that to the extent such policies do not have such deductibles, the School Corporation shall establish adequate reserves or other appropriate provisions, if any, as shall be required by the Board. Such insurance shall (a) not include any coinsurance provision, (b) provide for increased cost of construction and loss to undamaged property as a result of enforcement of building Laws with sub-limits not less than 10% of the "full insurable value" of the School Property, and (c) include debris removals with a sub-limit of not less than $50,000. The property damage coverage shall not contain an exclusion for freezing, mechanical breakdown, loss or damage covered under any guarantee or warranty, or resultant damage caused by faulty workmanship, design or materials.

(vi) Directors and officers liability insurance and professional liability insurance with a $1,000,000 minimum limit per occurrence. The policies for such insurance shall name the Board of Trustees, the School Corporation, School employees and School volunteers as insureds.

(vii) Educators legal liability insurance with a $1,000,000 minimum limit per occurrence.

B. If the School Corporation has entered into a School Management Contract, the School Corporation shall require the Person managing the School pursuant to that School Management Contract (the "**School Manager**") to maintain management professional liability insurance with a $1,000,000 minimum limit per occurrence.

C. The School Corporation may satisfy its obligations under this Section 4.3 by being an additional named insured on insurance policies of an Affiliate of the School Corporation or the School Manager, if any, providing the School Corporation the coverage required pursuant to this Section 4.3 to the same extent as if the School Corporation obtained such required insurance itself.

D. All policies of insurance required to be maintained pursuant to clause A (except subclauses (vi) and (vii)) shall be endorsed to name the Board and its directors, officers, employees and agents as additional insureds. All policies of insurance required to be maintained pursuant to this Section 4.3 shall be endorsed to provide that the insurer is required to provide the Board with at least 30 days' prior notice of substantial reduction in coverage or amount (other than a reduction in coverage or amount resulting from a payment thereunder), cancellation or non-renewal of any policy. The Board may from time to time, by written notice to the School Corporation, amend the amount and scope of insurance coverage required by this Section 4.3 to include such additional insurance coverage which, in the reasonable opinion of the Board, is generally maintained with respect to schools by prudent school management, subject to the availability of such insurance in such amounts on commercially reasonable terms.

4.4 Insurance Certificates. No later than August 1, 2005 and no later than August 1 of each subsequent year, the School Corporation shall deliver to the Board a certificate of insurance with respect to each insurance policy required pursuant to Section 4.3. Such certification shall be executed by each insurer providing insurance hereunder or its authorized representative and shall (1) identify underwriters, the type of insurance, the insurance limits and the policy term and (2) specifically list the special provisions enumerated for such insurance required by Section 4.3. Concurrently with the furnishing of the certification referred to in this Section 4.4, the School Corporation shall furnish the Board with a report of an independent insurance broker satisfactory to the Board, signed by an officer of such broker, stating that all premiums then due have been paid. In addition, the School Corporation will notify the Board in writing promptly of any default in the payment of any premium and of any other act or omission on the part of the School Corporation or the School Manager, if any, which may invalidate or render unenforceable, in whole or in part, any insurance being maintained pursuant to Section 4.3. Upon request by the Board, the School Corporation will promptly furnish the Board with copies of all insurance policies, binders and cover notes or other evidence of insurance relating to the insurance required to be maintained pursuant to Section 4.3.

4.5 Transactions with Affiliates. The School Corporation shall not, directly or indirectly, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the School Corporation, any member of the board of trustees of the School Corporation (the "**Board of Trustees**") or any employee of the School Corporation unless the terms of such transaction (considering all the facts and circumstances) are no less favorable to the School Corporation than those that could be obtained at the time from a Person that is not such an Affiliate. "**Affiliate**"

shall mean, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person and, if such Person is an individual, any member of the immediate family (including parents, spouse, children and siblings) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust; for purposes of the definition of "Affiliate," "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise. "**Person**" shall mean and include natural persons, corporations, limited liability companies, limited liability partnerships, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, governments and agencies or other administrative or regulatory bodies thereof.

4.6 Costs. The School Corporation shall be responsible for all costs associated with its operation and the operation of the School including the costs of goods, services and the assessments administered pursuant to Section 3.3 hereof.

4.7 No Agency. The School Corporation shall disclose to all third parties entering into contracts with the School Corporation that the Board has no responsibility for the debts or actions of the School Corporation. The School Corporation shall not purport to act as the agent of the Board or the government of the District of Columbia with respect to any contract.

4.8 Inventory. The School Corporation shall maintain an inventory of all assets of the School Corporation purchased with District of Columbia public funds or federal funds. The School Corporation shall make such inventory available to the Board from time to time upon the Board's request.

SECTION 5. REPORTS

5.1 Reporting Requirements. The School Corporation shall deliver to the Board:

A. Annual Reports: no later than November 1 of each year, beginning November 1, 2005, an annual report in a format acceptable to the Board which shall set forth the financial status, academic program and performance of the School Corporation as of the close of the prior academic year including all items required by Section 38-1802.04(c)(11)(B) of the Act, the results of any standardized tests not contained in the prior annual report delivered to the Board pursuant to this clause A (or in the case of the first annual report, any such results obtained prior to the submission of such report), an assessment of compliance with the performance goals, objectives, standards, indicators or targets or any other basis for measuring the School's performance set forth in the Accountability Plan and such other items as the Board may reasonably request; such report shall be delivered to the Board in a paper format and transmitted electronically in a format acceptable to the Board; such report shall be made available to the public upon request;

B. Audited Financial Statements: as soon as available but no later than 120 days after the end of each Fiscal Year, audited financial statements for such Fiscal Year prepared in accordance with generally accepted auditing standards and the *Government Auditing Standards* issued by the Comptroller General of the United States, by an independent certified public accountant licensed in the District of Columbia and reasonably acceptable to the Board; such audited financial statements shall be made available to the public upon request; "**Fiscal Year**" shall mean the fiscal year of the School Corporation ending on June 30 of each calendar year;

C. Interim Financial Reports: as soon as available and in any event within 30 days after the end of each Interim Period starting with the Interim Period beginning July 1, 2005, (i) the balance sheet of the School Corporation as at the end of such Interim Period and the related statements of income and cash flows of the School Corporation for such Interim Period and for the period from the beginning of the then current Fiscal Year to the end of such Interim Period, all in reasonable detail and certified by the treasurer or chief financial officer of the School Corporation that they fairly present, in all material respects, the financial condition of the School Corporation as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments, and (ii) notes to the balance sheet describing the financial status of the School Corporation including contributions (monetary or in-kind) in excess of $500 and fundraising efforts for such Interim Period and for the period from the beginning of the then current Fiscal Year to the end of such Interim Period; "**Interim Period**" shall mean monthly, and from time to time thereafter, upon written notice by the Board to the School Corporation, the period designated by the Board in such notice; the Board may require the School Corporation to submit the financial reports to be delivered pursuant to this Section 5.1C on a computer disk or in another electronic format compatible with software designated by the Board from time to time; notwithstanding the foregoing, the School Corporation may deliver the reports required pursuant to this clause C for July and August 2005 on October 15, 2005;

D. Budget; Fiscal Year: no later than June 1 of each year starting June 1, 2005, an annual operating budget, an annual capital budget and cash flow projections (collectively, a "**Budget**") for the next succeeding Fiscal Year; the School Corporation's operating budget for the period from July 1, 2005 to June 30, 2007 is set forth in Exhibit D hereto; the School Corporation shall deliver to the Board no later than October 30, 2005 a revised operating budget for the period from July 1, 2005 to June 30, 2007; the School Corporation shall consider the comments of the Board, its staff and its agents with respect to each Budget; if the Board has previously notified the School Corporation in writing that the School Corporation is on probation for fiscal management reasons and such notice has not been rescinded by the Board in writing, the School Corporation may only implement such Budget with the prior written approval of the Board;

E. Enrollment Census: on dates identified by the Board in writing, a report (i) identifying the number of students (including nonresident students and students receiving special education) currently enrolled in the School in each of (a) preschool, (b) prekindergarten, (c) grades kindergarten through 12, (d) adult, community and vocational programs and (e) nongrade level programs, (ii) identifying the number of students enrolled in the School and their grade levels who are any of the following: (a) nonresident students, (b) students receiving special

education, (c) emergency migrants, (d) new or leaving students, (e) students eligible for free or reduced meals or (f) students with limited English proficiency, (iii) setting forth the amount of fees and tuition assessed and collected from nonresident students currently enrolled in the School and (iv) certified by the chair of the Board of Trustees and the principal or other chief administrator of the School that such report is true and correct in all material respects; unless the Board notifies the School Corporation otherwise in writing, such report shall be in the format required by the Board of Education for similar reports from public schools in the District of Columbia and such count shall be conducted in a manner comparable to that required by the Board of Education for enrollment counts by District of Columbia Public Schools;

F. Attendance: no later than 15 days after the end of each month during the academic year, a report listing the average daily attendance for the School during such month;

G. Key Personnel Changes: promptly upon the chair of the Board of Trustees or an officer of the School Corporation obtaining knowledge of the departure or anticipated departure of a person from his or her position with the School Corporation who is a member of the Board of Trustees or an officer of the School Corporation or holds a key personnel position identified on Exhibit E hereto (but no later than the time the School Corporation announces such departure publicly), a notice identifying the person, the position such person is leaving, the date of such departure and the actions the School Corporation has taken or intends to take to replace such person;

H. Events of Default, Etc.: promptly upon the chair of the Board of Trustees or an officer of the School Corporation obtaining knowledge of any event or circumstance that could reasonably be expected to have a material adverse effect on the operation, properties, assets, condition (financial or otherwise), prospects or reputation of the School Corporation or the School including (i) any material breach of any covenant or agreement contained in this Agreement (including the Application or Accountability Plan) or any Material Contract, (ii) any notice given to the School Corporation or any other action taken with respect to a claimed default under any financing obtained by the School Corporation, or (iii) the failure of the School Corporation to comply with the terms and conditions of any Authorization, a report in reasonable detail of the nature and date, if applicable, of such event or circumstance and the School Corporation's intended actions with respect thereto;

I. Litigation: (i) promptly upon a member of the Board of Trustees or an officer of the School Corporation obtaining knowledge of (a) the institution of or nonfrivolous threat of any action, suit, proceeding, governmental investigation or arbitration against or affecting the School Corporation or any property thereof (collectively, "**Proceedings**") not previously disclosed in writing by the School Corporation to the Board, or (b) any material development in any Proceeding to which the School Corporation is a party or the School Corporation's property is subject, written notice thereof; (ii) no later than February 14 and August 14 of each year, a schedule of all Proceedings involving an alleged liability of, or claims against or affecting, the School Corporation or, if there has been no change since the last such report, a statement to that effect, and (iii) promptly after request by the Board, such other information as may be reasonably requested by the Board to enable the Board and its counsel to evaluate any of such Proceedings;

J. **Authorizations**: (i) within 45 days after the end of each Fiscal Year starting in Fiscal Year 2005, a certification by an officer of the School Corporation, a member of the Board of Trustees or the chief administrator of the School that all Authorizations required for the operation of the School and the lease or sublease, if any, of the School Property remain in full force and effect; and (ii) within 7 days after the School Corporation receives notice (whether formal or informal, written or oral) of any alleged failure of the School Corporation to comply with the terms and conditions of any Authorization, a report in reasonable detail of the nature and date, if applicable, of such notice and the School Corporation's intended actions with respect thereto; and

K. **Board of Trustees Meeting Minutes**: Within 15 days after the end of each fiscal quarter, the School Corporation shall submit to the Board copies of all minutes of meetings of the Board of Trustees of the School Corporation (including any actions of the Board of Trustees taken by unanimous written consent in lieu of a meeting) during such fiscal quarter. Documents submitted to the Board pursuant to this clause K shall be accompanied by a certification by an officer of the School Corporation or a member of the Board of Trustees as to the completeness and accuracy of such documents; and

L. **Other Information**: such other reports, financial statements and information as the Board shall reasonably request.

5.2 Reports Required by the Act. The School Corporation shall comply with all reporting requirements set forth in the Act and shall provide the Board with a copy of each such report at the time the School Corporation provides such report to the Person required to receive such report under the Act.

SECTION 6. ORGANIZATION

6.1 Organization. **A.** The School Corporation is and shall remain a District of Columbia nonprofit corporation in accordance with the District of Columbia Nonprofit Corporation Act, as now and hereafter in effect, or any successor statute.

B. Copies of the School Corporation's articles of incorporation and bylaws are attached hereto as Exhibit F and Exhibit G, respectively. The School Corporation shall notify the Board in writing of any material change to its articles of incorporation or bylaws within 30 days after the effective date of such change. The School Corporation shall consider any comments of the Board, its staff and its agents in connection with such change.

6.2 Tax-Exempt Status. The School Corporation shall obtain tax-exempt status from the federal government and the District of Columbia within two years from the date hereof and shall maintain such tax-exempt status.

6.3 Powers. The School Corporation shall have the powers set forth in the Act.

6.4 Accreditation. The School Corporation shall comply with the accreditation requirements set forth in the Act.

6.5 Nonsectarian. The School Corporation and the School are and shall remain nonsectarian and are not and shall not be affiliated with a sectarian school or religious organization.

6.6 Financial Management. The School Corporation shall operate in accordance with generally accepted standards of fiscal management and shall maintain a system of accounting established and administered in accordance with sound business practices to permit preparation of the audited financial statements described in Section 5.1B.

6.7 Board of Trustees. **A.** The School Corporation shall have a Board of Trustees that complies with the requirements set forth in the Act. The Board of Trustees shall (i) set the policy for the School Corporation, (ii) be responsible for overseeing the academic and fiscal integrity of the School Corporation and assuring the School Corporation's compliance with this Agreement and the Act and (iii) select and evaluate the performance of the School Corporation's senior management.

B. Each member of the Board of Trustees shall act in an ethical manner consistent with its fiduciary obligations to the School.

6.8 Hiring. The School Corporation shall perform an initial background check with respect to each employee and each person who regularly volunteers at the School more than 10 hours a week prior to the commencement of such employment or volunteer assignment. The School Corporation shall conduct such other background checks as the Board may direct in accordance with such timetable as the Board may establish. The School Corporation shall consider the results of such background checks in its decision to employ or utilize such persons.

6.9 Employee Handbook. The School Corporation shall develop and maintain an employee handbook in compliance with Law.

6.10 Complaint Process. No later than 30 days prior to the beginning of the School's first academic year, the School Corporation shall deliver to the Board in writing a copy of the complaint resolution process that the School Corporation is required to maintain pursuant to the Act. The School Corporation shall notify the Board in writing of any proposed material change to the complaint resolution process at least 45 days prior to the implementation of such change. The School Corporation shall consider any comments of the Board, its staff and its agents in connection with such complaint resolution process or any material change thereto.

SECTION 7. TERMINATION

7.1 Termination. **A.** This Agreement may be terminated and the charter of the School Corporation revoked:

(i) by the Board in accordance with Section 38-1802.13 of the Act; or

(ii) by mutual agreement of the parties hereto; or

(iii) by the Board if, in the reasonable judgment of the Board, any circumstance or condition shall exist at the School which jeopardizes the safety,

health or welfare of any students at the School, and the School Corporation shall fail to remedy such circumstance or condition within 90 days after the Board delivers written notice to the School Corporation that the Board has determined such circumstance or condition exists; or

(iv) by the Board, if the School Corporation fails to secure use of the School Property by August 1, 2005; or

(v) by the Board, if the School fails to begin instructing students by December 31, 2005.

If the School has begun operation, any such termination shall be effective at the end of the academic year unless the Board determines compelling circumstances require otherwise.

B. This Agreement shall be terminated:

(i) upon invalidation or termination of the statutory authority for the School to exist as a public charter school in the District of Columbia; or

(ii) upon termination of the Board or the Board's authority to oversee public charter schools in the District of Columbia unless the Board has assigned its rights and obligations under this Agreement pursuant to Section 9.2.

7.2 Actions Upon Expiration or Termination. Upon expiration or termination of this Agreement (the date upon which such charter expires or terminates, the "**Termination Date**"), the School Corporation shall:

A. if the School ceases operations on the Termination Date,

(i) promptly but no later than 60 days after the Termination Date, deliver all student records, reports, documents and files to the Board;

(ii) promptly but no later than 60 days after the Termination Date, transfer all other assets of the School Corporation purchased with District of Columbia public funds or federal funds as directed by the Board; and

(iii) for 5 years after the Termination Date, maintain all its other records, reports, documents and files of the School Corporation and shall not dispose of such records, reports, documents and files without first offering them in writing to the Board;

B. if the Board of Education (or any other entity permitted by the Act to assume the management of the School) assumes management of the School pursuant to the terms of the Act, take such actions as the Board of Education (or such entity) shall reasonably require (subject to any rights of grantors, donors or creditors of the School Corporation);

C. if the Board of Education places the School in a probationary status pursuant to Section 38-1802.12(d)(5)(B) of the Act, take such actions as the Board of Education shall reasonably require;

D. if the School continues operations but not as a public school,

(i) promptly but no later than 60 days after the Termination Date, deliver to the Board all student records, reports, documents and files created during or covering periods during which the School was a public charter school;

(ii) promptly but no later than 60 days after the Termination Date, transfer all other assets of the School Corporation purchased with District of Columbia public funds or federal funds as directed by the Board; and

(iii) for 5 years after the Termination Date, maintain all its other records, reports, documents and files of the School Corporation created during or covering periods during which the School was a public charter school and shall not dispose of such records, reports, documents and files without first offering them in writing to the Board.

SECTION 8. COMPLIANCE

8.1 Laws. The School Corporation shall comply with all applicable Laws (including the Act) and Authorizations and shall from time to time and on a timely basis obtain, renew and comply with all Authorizations as shall now or hereafter be necessary under applicable Laws.

8.2 Cooperation. The School Corporation shall, and shall cause its trustees, officers, employees and contractors to, cooperate with the Board, its staff and its agents in connection with the Board's obligations to monitor the School Corporation.

8.3 Access. The School Corporation shall authorize and permit the Board, its staff and its agents to have access to the extent permitted by law, upon reasonable notice and in such manner as will not unreasonably interfere with the conduct of the School, to all of the School Corporation's properties, books, records, operating instructions and procedures, curriculum materials and all other information with respect to the operation of the School and the School Corporation that the Board may from time to time request, and to make copies of such books, records and other documents and to discuss the operation of the School and the School Corporation with such third persons, including, without limitation, the School Corporation's trustees, officers, employees, students, accountants, counsel, contractors and creditors, as the Board considers necessary or appropriate for the purposes of evaluating the operation and performance of the School and the School Corporation in accordance with this Agreement and the Act. The School Corporation shall, and shall cause its trustees, officers, employees and contractors to, cooperate with the Board, its staff and its agents in connection with the foregoing activities.

8.4 School Emergency. If the Board determines (i) any event or circumstance could have a material adverse effect on the operation, properties, assets, condition (financial or

otherwise), prospects or reputation of the School Corporation or the School, (ii) any action or failure to act by the School Corporation could threaten the health, safety, welfare or education of the students of the School, (iii) the School Corporation has failed to act in a fiscally responsible manner, or (iv) there has been a sudden and significant decrease in enrollment at the School (each of clause (i) through (iv), a "**School Emergency**"), then the Board of Trustees, upon the request of the Board, shall meet with the Board to discuss the School Corporation's response to such School Emergency. The School Corporation shall cooperate with the Board to resolve such School Emergency to the reasonable satisfaction of the Board.

SECTION 9. MISCELLANEOUS

9.1 Administrative Fee. The School Corporation shall pay annually to the Board, no later than November 15 of each year, the maximum amount permitted by the Act to cover the administrative responsibilities of the Board. Notwithstanding the foregoing, the Board shall not seek any remedy against the School Corporation for failure to timely pay such fee if the School Corporation shall not have received the fall allocation of its annual academic year funding from the government of the District of Columbia by such date provided that the School Corporation pays the Board such fee within 5 business days of the School Corporation's receipt of such funding.

9.2 Assignment. This Agreement shall not be assignable by either party; provided that if the Board shall no longer have authority to charter public schools in the District of the Columbia, the Board may assign this Agreement to any entity authorized to charter or monitor public charter schools in the District of Columbia.

9.3 Definitional Provisions. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context indicates is appropriate. When a reference is made in this Agreement to an introduction, recital, section, appendix, exhibit or schedule, such reference shall be to the introduction, a recital, a section or a paragraph of, or an appendix, an exhibit or a schedule to, this Agreement unless otherwise indicated. The words "hereof", "herein" and "hereunder" and words of similar import shall be deemed to refer to this Agreement as a whole and not to any particular provision of this Agreement. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Accounting terms not expressly defined in this Agreement shall have the respective meanings given to them under generally accepted accounting principles.

9.4 Entire Agreement; Amendments. This Agreement, together with all the attachments hereto (including the Application and Accountability Plan as amended hereby), constitutes the entire agreement of the parties and all prior representations, understandings and agreements are merged herein and superseded by this Agreement. This agreement may not be amended or modified other than by a written agreement executed by the Board and the School Corporation; provided that the Board shall have the right to require that any amendment to this Agreement changing the curriculum, instructional method, grades, student ages or management

of the School that differs substantially from the curriculum, instructional method, grades, student ages or management as set forth in the Application shall occur only in accordance with the procedures set forth in the Act.

9.5 Dispute Resolution. Subject to the last sentence of this Section 9.5, neither the School Corporation nor the Board shall exercise any legal remedy with respect to any dispute arising from this Agreement without (i) first providing a notice to the other party hereto setting forth a description of the dispute and (ii) thereafter, causing representatives of the School Corporation and the Board to meet and attempt in good faith to negotiate a resolution of such dispute. Nothing contained herein shall restrict the Board's ability to terminate this Agreement and revoke the School Corporation's charter in accordance with the terms of the Act.

9.6 Notices. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and shall be deemed to have been given when (a) delivered by hand (with written confirmation of receipt), (b) sent by telecopier (with written confirmation of receipt), provided that a copy is mailed by certified or registered mail, postage prepaid, return receipt requested, or (c) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested) or certified or registered mail, postage prepaid, return receipt requested, in each case to the appropriate addresses and telecopier numbers set forth below (until notice of a change thereof is delivered as provided in this Section 9.6) shall be as follows:

If to the Board:

District of Columbia Public Charter School Board
1436 U Street, NW
Suite 401
Washington, D.C. 20009
Attention: Executive Director
Telephone: (202) 328-2660
Telecopier: (202) 328-2661

If to the School Corporation:

AppleTree Early Learning Public Charter School
680 I Street, SW
Washington, D.C. 20024
Telephone: (202) 488-3990
Telecopier: (202) 488-3991

9.7 Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of the Board in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

9.8 Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions or obligations, shall not in any way be affected or impaired thereby.

9.9 Applicable Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE DISTRICT OF COLUMBIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

9.10 No Third Party Beneficiary. Nothing in this Agreement expressed or implied shall be construed to give any Person other than the parties hereto any legal or equitable rights under this Agreement.

9.11 Counterparts; Effectiveness. This Agreement and any amendments, waivers, consents or supplements hereto or in connection herewith may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto and receipt by the School Corporation and the Board of written or telephonic notification of such execution and authorization of delivery thereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL

[redacted]

By: WILLIAM J. MCCARTHY
Title: BOARD CHAIR

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD

[redacted]

By: THOMAS A. NIDA
Title: BOARD CHAIR

SCHEDULES

SCHEDULE I-Maximum Enrollment

SCHEDULE I

Maximum Enrollment

Grade	Academic Year 1	Academic Year 2	Academic Year 3	Academic Year 4	Academic Year 5
Preschool	20	14	14	14	18
Pre-Kindergarten	16	12	12	12	18
Kindergarten		10	10	10	18
Total	36	36	36	36	54