

RENEWAL OF CHARTER AND CHARTER SCHOOL AGREEMENT
(PROVIDENCE ENGLEWOOD CHARTER SCHOOL)

THIS RENEWAL OF CHARTER AND CHARTER SCHOOL AGREEMENT ("Agreement") dated July 1, 2014 (the "Effective Date") is entered into by and between the Board of Education of the City of Chicago, a body politic and corporate (the "Board") and Providence Englewood School Corporation, an Illinois not-for-profit corporation (the "Charter School"), an independent public school established under the Charter Schools Law, 105 ILCS 5/27A-1 *et seq.*, as amended (the "Charter Schools Law").

RECITALS

WHEREAS, the State of Illinois enacted the Charter Schools Law as Public Act 89-450, effective April 10, 1996, as amended; and

WHEREAS, the Charter Schools Law was enacted for the following purposes:

- (1) To improve pupil learning by creating schools with high, rigorous standards for pupil performance;
- (2) To increase learning opportunities for all pupils, with special emphasis on expanded learning experiences for at-risk pupils;
- (3) To encourage the use of innovative teaching methods;
- (4) To allow for the development of innovative forms of measuring pupil learning and achievement;
- (5) To create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site;
- (6) To provide parents and pupils with expanded choices within the school system;
- (7) To encourage parental and community involvement with public schools;
- (8) To hold charter schools accountable for meeting rigorous school content standards and to provide those schools with the opportunity to improve accountability; and

WHEREAS, on August 31, 2006, the Charter School entered into a Charter School Agreement with the Board commencing August 31, 2006 and ending June 30,

2011, which was approved and certified by the Illinois State Board of Education (the "State Board");

WHEREAS, on September 1, 2010, the Charter School submitted an application to the Board to renew its Charter School Agreement, and subsequently on November 9, 2011, the Charter School entered into a Renewal of the Charter School Agreement with the Board for a three (3) year term commencing July 1, 2011 and ending June 30, 2014, which was approved and certified by the State Board;

WHEREAS, on September 3, 2013, the Charter School submitted an application to the Board (the "Application") to renew its Charter School Agreement, portions of which Application are incorporated by reference as described in Exhibit A hereto; and

WHEREAS, the parties desire that the Charter School be authorized to continue to operate and conduct its affairs in accordance with the terms of this Agreement and the Charter Schools Law.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein and for other good and lawful consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Recitals Incorporated by Reference. The recitals to this Agreement are incorporated herein by reference and made a part hereof.

2. Grant of Charter. Subject to the final certification by the State Board, the Charter School is hereby authorized, and granted a renewal of a charter in accordance with the Charter Schools Law and the terms and conditions of this Agreement, to operate a charter school as described herein.

3. Term of Agreement. This Agreement shall commence on the Effective Date provided above, and shall expire at midnight, June 30, 2017, unless terminated or extended pursuant to the terms hereof.

4. Educational Program. The Charter School shall operate an educational program and program of instruction serving the educational needs of the students enrolled therein.

a. Name of School. The name of the school shall be known as the "Providence Englewood Charter School".

b. Mission Statement. The Charter School shall operate under the mission statement set forth in the Application, and such mission statement is hereby accepted to the extent that it is consistent with the declared purposes of

the General Assembly as stated in the Charter Schools Law.

c. Age, Grade Range. The Charter School shall provide instruction to pupils in grades Kindergarten through 8 as provided in the Application.

d. Enrollment, Attendance Boundary, Lottery. The Charter School's enrollment shall be no more than 500 students during the term of this Agreement. The Charter School shall not permit dual enrollment of any student at both the Charter School and another public school or non-public school.

i. Attendance Boundary. Enrollment in the Charter School shall be open to any pupil who resides within the City of Chicago, provided that the Board may designate attendance boundaries for no more than one-third of the charter schools permitted in the City of Chicago if the Board determines that attendance boundaries are needed to relieve overcrowding or to better serve low-income and at-risk students. In the event that the Board makes a determination that an attendance boundary needs to be created for the Charter School, the Board shall notify the Charter School at least thirty (30) days prior to Board approval to give the Charter School an opportunity to provide comment regarding the establishment of its attendance boundary. Establishment of an attendance boundary for the Charter School is within the sole discretion of the Board.

ii. Lottery. The Charter School shall conduct and complete its lottery by a date determined by the Board's Office of Innovation and Incubation ("I&I") and communicated to the Charter School on an annual basis; provided that the Charter School does not conduct its lottery until one month after the specific application deadline determined by the Board for its high school magnet school program, which date will be conveyed to the Charter School by I&I. Each year, if on the date of the Charter School's application deadline, there are more eligible applicants for enrollment in the Charter School than there are spaces available, successful applicants shall be selected by lottery which shall be open to all applicants and the public. The lottery shall be witnessed by an independent third party or videotaped. The Charter School shall submit to I&I a copy of the lottery results, a written summary of its lottery process and the manner in which its lottery process complies with Article 27A of the Illinois School Code, and any supporting documentation within ten (10) business days of the lottery date. The Charter School shall not request information in the application process about a student's social security number, academic aptitude, special education needs or English language proficiency. The Charter School shall also not request an essay, parent-student behavioral

contract, material review, or other such exercises as part of the application process. The application must be available to all parents and students without limitations, such as an open house or school visit requirement. Priority for enrollment may be given to siblings of pupils enrolled in the Charter School and to pupils who were enrolled in the Charter School the previous school year, unless expelled for cause. Using the lottery process required herein, the Charter School shall establish a waiting list of students who shall be offered the opportunity to enroll at the Charter School if additional space later becomes available. The Board reserves the right to request additional information regarding the lottery process from the Charter School including, but not limited to, the names of students who participated in the lottery and a copy of the current waitlist of students.

e. Student Transfers. Any student transfer out of the Charter School shall be documented by a transfer form signed by the student's parent/guardian which affirmatively states that the student's transfer is voluntary.

f. Goals, Objectives, Pupil Performance Standards. The Charter School shall pursue and make reasonable progress toward the achievement of the goals, objectives and pupil performance standards consistent with those in accordance with the accountability plan (the "Accountability Plan") described in paragraph 9 of this Agreement, provided that such goals, objectives and pupil performance standards shall at all times remain in compliance with Section 2-3.64 of the Illinois School Code, 105 ILCS 5/2-3.64.

g. Evaluation of Pupils. The Charter School's plan for evaluating pupil performance, the types of assessments to be used, the timeline for achievement of performance standards, and the procedure for taking corrective action in the event that pupil performance at the Charter School falls below those standards, shall be consistent with the Application and as further described in paragraph 9 hereof.

h. Curriculum. The curriculum established by the Charter School shall be consistent with the Application and as otherwise modified or supplemented herein. Any material changes to the curriculum subsequent to the date of this Agreement must be submitted to the Board prior to the academic year, and in no event later than July 1 of the subsequent year and shall be effective as of the first day of such new academic year. Such modified curriculum shall be incorporated herein by reference as if fully set forth herein.

i. School Year; School Days; Hours of Operation. Instruction shall commence in the 2014-2015 school year and subsequent school years on dates

established by the Charter School, provided that the beginning date of instruction shall be no earlier than August 15 and no later than September 15 of the first academic and fiscal year of the Charter School's existence. The days and hours of operation of the Charter School shall be as otherwise established by the Charter School in accordance with state law.

j. School Calendar. No later than April 1 prior to the commencement of each academic year during which this Agreement is in effect, the Charter School shall submit to the Board its school calendar for such academic year and the following summer session which shall list all student-attendance days for each grade level.

k. Discipline. The Charter School shall implement a system of uniform student discipline. The Charter School may develop and implement its own system of student discipline in accordance with paragraph 4.k.i. or may elect to adopt the Chicago Public Schools Student Code of Conduct (the "CPS Conduct Code") effective at the beginning of any academic year in accordance with paragraph 4.k.ii.

i. In the event that the Charter School elects to develop its own system of student discipline, the Charter School shall submit a proposed disciplinary code, including procedures for suspension and expulsion, to the Board for review no later than April 1, 2015, or April 1 of any subsequent year, shall adopt such disciplinary code no later than the 1st day of the subsequent academic year, including any reasonable modifications requested by the Board, and shall carry out all disciplinary actions in accordance with such disciplinary code. The Charter School shall comply at all times with applicable Federal due process requirements in its disciplinary activities. Students may only be expelled from the Charter School by a vote of the Charter School's governing board. In the event that any student is expelled from the Charter School by action of the Charter School, the Charter School shall promptly notify the Board of such expulsion and shall provide to the Board, no later than five (5) days following the expulsion of such student, a summary statement of the grounds and evidence warranting expulsion, a record of the proceedings in which the expulsion decision was made, as well as the official transcript of the expelled student. The Board shall evaluate the student's expulsion records and determine appropriate placement on a case-by-case basis.

ii. The Charter School may, at its option, elect to adopt the CPS Conduct Code effective at the beginning of any academic year, provided that the Charter School shall notify the Board of its election to do so no

later than April 1, 2015, or April 1 of any subsequent year for which such election shall be effective. If the Charter School fails to submit a proposed disciplinary code or fails to adopt a disciplinary code, the CPS Conduct Code will be deemed to apply.

1. Governance and Operation. The operation of the governing board of the Charter School shall be as set forth below:

i. The governing board of the Charter School shall consist of no fewer than 12 directors, but not more than 17 directors.

ii. Membership and the composition of the governing board shall be subject to and in accordance with the bylaws of the Charter School.

iii. Governing board vacancies shall be filled by the Charter School's governing board.

iv. Directors of the governing board of the Charter School shall have duties and responsibilities consistent with the Illinois General Not-For-Profit Corporation Act of 1986, as amended, and as stated in the Application.

v. The governing board shall hold meetings at least four times a year.

For verification purposes, the Charter School shall provide to I&I the minutes of every governing board meeting held and any advertised copies of such meeting notices no later than thirty (30) calendar days after the end of each quarter.

m. Student Transportation. The Charter School shall meet the transportation needs of its students including, the needs of its low-income and at-risk students, and homeless children and youth, in the manner set forth in its Application which transportation plan may include, but not be limited to, the following: coordinating with Chicago Public Schools to provide transportation for any students with disabilities who have Individualized Education Programs ("IEPs") in which transportation is required; participating in the state's Parental Transportation Reimbursement Program; providing Chicago Transit Authority reduced fare permits or cards to students based on income qualifications; assisting parents in the development of car pool plans; or working with students and their parents to highlight the best routes to and from school via public transportation, expressways and streets. Once the Charter School identifies any

students eligible for transportation assistance in accordance with the McKinney-Vento Homeless Assistance Act of 1987 (42 U.S.C. §11431 *et seq.*, as amended), the Charter School shall coordinate with the Board's Office of Support for Students in Temporary Living Situations to obtain and distribute transportation fares to such students.

n. Bilingual Education. The Charter School shall provide bilingual education services in a manner consistent with that in the Application, provided that the Charter School (1) shall identify students who require bilingual education by administering the Chicago Public Schools' Home Language Survey Form or other suitable identification instrument to all incoming students; (2) shall assess the English language proficiency of all students identified as coming from a non-English speaking background by administering the state-prescribed screening instrument or other suitable screening instrument; (3) shall provide a bilingual education or English as a Second Language program for such students; and (4) shall annually assess the English language proficiency of all identified English Language Learners by administering the state-mandated English language proficiency assessment. Notwithstanding anything to the contrary in this subparagraph, the Charter School shall have no obligation to provide bilingual education to a greater extent than required under the Charter Schools Law and under any Federal consent decrees or other orders governing the provision of bilingual education services to students in the Chicago Public Schools.

5. Additional Covenants and Warranties of Charter School. The Charter School covenants and warrants as follows:

a. Compliance with Laws and Regulations. The Charter School shall operate at all times in accordance with the Charter Schools Law and all other applicable Federal and State laws from which the Charter School is not otherwise exempt and constitutional provisions prohibiting discrimination on the basis of disability, race, creed, color, gender, national origin, religion, ancestry, marital status or need for special educational services. The Charter School shall also comply with the following, to the extent applicable to Charter Schools (as amended from time to time):

i. The No Child Left Behind Act of 2001 (PL 107-110, signed January 8, 2002);

ii. Section 2-3.64 of the Illinois School Code (105 ILCS 5/2-3.64), regarding performance goals, standards and assessments;

iii. Section 10-17a of the Illinois School Code (105 ILCS 5/10-

17a) regarding school report cards;

iv. Section 10-21.9 and 34-18.5 of the Illinois School Code (105 ILCS 5/10-21.9; 105 ILCS 5/34-18.5) regarding fingerprint-based criminal history records checks and checks of the Statewide Sex Offender Database and the Statewide Child Murderer and Violent Offender Against Youth Database of applicants for employment;

v. Section 24-24 and 34-84A of the Illinois School Code (105 ILCS 5/24-24; 105 ILCS 5/34-84A) regarding discipline of students;

vi. The Local Governmental and Governmental Employees Tort Immunity Act (745 ILCS 10/1-101 *et seq.*);

vii. Section 108.75 of the General Not For Profit Corporation Act of 1986 (805 ILCS 105/108.75) regarding indemnification of officers, directors, employees and agents;

viii. The Abused and Neglected Child Reporting Act (325 ILCS 5/1 *et seq.*);

ix. The Illinois School Student Records Act (105 ILCS 10/1 *et seq.*);

x. The Freedom of Information Act (5 ILCS 140/1 *et seq.*);

xi. The Open Meetings Act (5 ILCS 120/1.01 *et seq.*);

xii. The Illinois Pension Code (40 ILCS 5/1-101 *et seq.*), subject to the limitations set forth in paragraph 6.j. below;

xiii. The P-20 Longitudinal Education Data System Act;

xiv. All applicable health and safety regulations of the State of Illinois and the City of Chicago including, without limitation, those laws specifically identified by the State Board as being applicable to charter schools, with the list of such regulations to be provided to the Charter School by the Board from time to time; and

xv. All Federal and State of Illinois orders and agreements, including desegregation orders, orders regarding special education, orders regarding bilingual education, compliance agreements or other agreements with the United States Department of Education or other

Federal or State agencies, applicable to the Chicago Public Schools. Upon the request of the Charter School, the Board shall furnish copies of any such orders or agreements. In the event of any Federal or State governmental inquiries involving the Charter School with respect to such law, order or agreement, the Charter School shall fully cooperate with the Board in responding appropriately and coming to a final resolution. To the extent that the Charter School believes that it is exempt from compliance with any such law, order or agreement, the Charter School shall provide the Board's General Counsel with a copy of an exemption ruling or opinion rendered by the applicable Federal or State authority that has jurisdiction over such law or that issued the order or agreement. To the extent the Board is a party to a court action that is likely to result in a new order or agreement which will require compliance by the Charter School, the Board shall use reasonable efforts to notify the Charter School of such court action.

b. Compliance with Agreement. The Charter School shall operate at all times in accordance with the terms of this Agreement including the Accountability Plan attached hereto as Exhibit C, the additional specific terms and conditions set forth in Attachment 1 and all other Exhibits attached hereto.

c. Maintenance of Corporate Status and Good Standing. The Charter School shall at all times maintain itself as an Illinois general not-for-profit corporation capable of exercising the functions of the Charter School under the laws of the State of Illinois, shall remain in good standing under the laws of the State of Illinois, and shall timely make all required filings with the office of the Illinois Secretary of State. Upon request, the Charter School shall provide the Board with certified copies of its Articles of Incorporation, a Certificate of Incorporation evidencing its incorporation as a nonprofit corporation, its Bylaws, and all amendments or modifications thereto. The Charter School is also recognized as an organization exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and upon request, the Charter School shall provide the Board with copies of all filings relating to the Charter School maintaining 501(c)(3) exempt status.

d. Personnel. The relationship between the Charter School and its employees, and the manner in which terms and conditions of employment shall be addressed with affected employees and their recognized representatives, if any, shall be as set forth in the Application and this Agreement, provided that the Charter School shall comply with all Federal and Illinois employment laws and regulations made applicable to charter schools under the Charter Schools Law.

No later than September 1 (first semester) and February 1 (second semester) of each year during the term of this Agreement, the Charter School shall provide the Board with a current list of all of its employees, and shall cause each of its subcontractors to provide the Board with a current list of all of such subcontractor's employees who shall come into direct, regular contact with pupils at the Charter School. Such lists shall contain the names, job positions, Illinois employee identification numbers and/or last four digits of the social security numbers of all applicable employees. Such list shall also indicate: (1) for each employee, the results of the fingerprint-based criminal background investigation and checks of the Statewide Sex Offender Database and the Statewide Child Murderer and Violent Offender Against Youth Database required under Section 34-18.5 of the School Code and paragraph 5.e. of this Agreement; and (2) for each individual employed in an instructional position, evidence of certification, or evidence that such individual is otherwise qualified to teach under Section 27A-10(c) of the Charter Schools Law, including information regarding the additional mentoring, training and staff development, if any, to be provided by the Charter School pursuant to paragraph 5.f. of this Agreement. For any person hired in an instructional position after February 1 of any school year, the Charter School shall provide the Board with such evidence of certification or other qualification no later than five (5) business days prior to the individual's initial date of employment.

e. Criminal Background Checks. The Charter School represents and warrants that, at its own cost and expense, it shall have a complete fingerprint-based criminal history records check ("Records Check") conducted on any and all employees, agents and subcontractors who may have direct, regular contact with students under this Agreement in accordance with the Illinois School Code (105 ILCS §5/34-18.5); the *Sex Offender and Child Murderer Community Notification Law*, created under Illinois Public Act 94-219, eff. August 2005; the *Child Murderer Violent Offender Against Youth Notification Law*, created under Public Act 94-945. Such complete Records Check consists of the following:

- 1) fingerprint-based checks through the Illinois State Police (ISP) and the FBI,
- 2) check of the Illinois Sex Offender Registry (IL-SOR), and
- 3) check of the Violent Offender Against Youth Registry (see below).

The purpose of the Records Check is to confirm that none of these persons have been convicted of any of the criminal or drug offenses enumerated in subsection (c) of 105 ILCS §5/34-18.5 or any offenses enumerated under the *Sex Offender and Child Murderer Community Notification Law*, or the *Sex Offender and Child Murderer Community Notification Law*, or have been convicted within the past seven (7) years of any other felony under the laws of Illinois or of any offense committed

or attempted in any other state or against the laws of the United States that, if committed or attempted in the State of Illinois, would have been punishable as a felony under the laws of Illinois.

The Charter School understands and agrees that it shall not allow any of its employees, agents or subcontractors to have direct, regular contact with a student until a Records Check has been conducted for such person and the results of the Records Check satisfies the requirements of 105 ILCS §5/34-18.5 and the requirements of the Acts and Laws referenced above, as amended from time to time.

f. Instructional Providers. The Charter School shall employ or otherwise utilize in instructional positions and shall require that its subcontractors employ or otherwise utilize in instructional positions only those individuals who are certificated under Article 21 of the Illinois School Code, 105 ILCS 5/21-1 *et seq.*, or who are otherwise qualified to teach under Section 27A-10(c) of the Charter Schools Law. The Charter School shall satisfy the required percentage of certificated individuals employed in instructional positions for its Charter School in accordance with Section 27A-10(c), (c-5) and (c-10) of the Charter Schools Law, as may be amended from time to time. If the Charter School receives Title I funds, all individuals in instructional positions must also meet the definition of "Highly Qualified" in accordance with the No Child Left Behind legislation. For purposes of this paragraph, "instructional positions" means all those positions involving duties and responsibilities which, if otherwise undertaken in the Chicago Public Schools, would require teacher certification. In the event that the Charter School employs or otherwise utilizes or any of its subcontractors employs or otherwise utilizes non-certificated personnel in instructional positions, the Charter School and/or its subcontractors shall provide such additional mentoring, training and staff development as the Charter School determines is necessary to ensure that such individuals perform their instructional duties satisfactorily.

g. Facility; Change in Location; Temporary Change in Location in for Emergency; Compliance with Disability Access Laws and Regulations; ADA Plan.

i. Facility. The Charter School shall be located at 6515 South Ashland Avenue, Chicago, Illinois (the "Attendance Center"). Notwithstanding the fact that the Charter School shall be located in a Board facility, the Charter School shall take such actions as are necessary to otherwise enable the Board to ensure that the zoning and occupancy permit and health and safety approvals for such Attendance Center remain valid and in force during the term of this Agreement.

ii. Change in Location. The Charter School may change the physical location of an Attendance Center, provided that the Charter School fulfills certain conditions of the Board and provides the information set forth in this paragraph with respect to such new physical location, and provided further that the Charter School notifies the Board of the proposed change in location not less than one hundred and twenty (120) days prior to taking any final action in connection therewith. I&I shall notify the Charter School whether it will recommend the change in location to the Board. Such a change in the physical location of an existing Attendance Center by the Charter School shall be deemed a material modification of this Agreement which requires the prior approval of the Board and State Board to be in full force and effect.

iii. Temporary Change in Location for Emergency. Nevertheless, the one hundred and twenty (120) days prior notice is not required in the event that the change in location is due to an emergency where the Attendance Center has been made untenable by fire, flooding, tornado, earthquake or other casualty or where its occupancy permit has been revoked due to a reason outside of the Charter School's reasonable control. In such emergency situation, the Charter School shall provide immediate written notice to the Board after the Charter School becomes aware of the need to change the location of its Attendance Center and the Charter School shall proceed as follows:

- (1) The Charter School shall promptly repair any damage to the Attendance Center caused by the emergency and to remedy any accessibility and building code compliance issues at its current temporary location until such time as the damaged Attendance Center is returned to the condition in which it was found prior to the emergency. While in its temporary location, the Charter School must provide monthly written status reports to I&I regarding the renovation work performed on the damaged Attendance Center; or
- (2) If the Attendance Center has been condemned or has such extensive damage that the Charter School does not want to expend any funds to make the necessary repairs to the Attendance Center, the Charter School shall provide to I&I written notice of the change in its permanent location and the reasons for abandoning its original Attendance Center. The Charter School shall fulfill certain conditions of the Board and provide the information set forth in this paragraph 5.g. with

respect to such new physical location. I&I shall notify the Charter School whether it will recommend such change in location to the Board.

iv. Compliance with Disability Access Laws and Regulations. The Board shall modify the Attendance Center to have the basic accessibility features for persons with disabilities. The Charter School shall otherwise ensure that it complies with: (1) all requirements of the Americans with Disabilities Act ("ADA"), 42 U.S.C.A. §12101 *et seq.*, the Rehabilitation Act of 1973, 29 U.S.C.A. §701 *et seq.*, as amended, their implementing regulations, the Illinois Environmental Barriers Act, 410 ILCS 25/1 *et seq.*, and the accessibility portions of the Chicago Building Code; and (2) the ADA and Rehabilitation Act aspects of the Accountability Plan; provided, however, if the Charter School enters into a lease agreement with the Board to occupy a Board facility to operate an Attendance Center, the terms and conditions of the lease agreement shall control as to that Attendance Center.

v. ADA Plan. At the request of I&I, the Charter School shall submit a plan addressing its methods for complying with, other than the Board's facility modifications, all aspects of the Charter School's compliance with the ADA and Section 504 of the Rehabilitation Act of 1973, as amended, their implementing regulations, the Illinois Environmental Barriers Act, and the accessibility portions of the Chicago Building Code ("ADA Plan"). Any such ADA Plan shall be submitted to the Board for approval which shall not be unreasonably withheld. Any such ADA Plan submitted to I&I and approved by the Board shall be incorporated herein by reference and made a part of this Agreement. Failure to submit an ADA Plan to I&I by the Board-specified date shall be deemed a material breach of this Agreement, subject to paragraph 13 herein, and the Board shall consider such non-compliance a factor in determining whether to revoke or renew the Charter School's charter.

h. Homeless Children. The Charter School acknowledges and agrees that the Chicago Public Schools are committed to serving the needs of children who are homeless by addressing all barriers to the enrollment and participation of students in temporary living situations in the school environment, and by protecting their rights under Federal and State law. The Charter School agrees that one goal of this Agreement is to ensure that all homeless children who attend the Charter School receive the same services provided by the Chicago Public Schools to homeless children in its students in temporary living situations program and agrees that it will provide services to homeless children at the same level that CPS provides those services. The Charter School also must protect the

rights of children under the McKinney-Vento Homeless Assistance Act of 1987 (42 U.S.C. §11431 *et seq.*, as amended) and the Illinois Education for Homeless Children Act (105 ILCS 45/1-5 *et seq.*) and all other laws that protect the rights of homeless children. The Charter School further acknowledges that the Board has certain obligations under the Settlement Agreement in *Salazar v. Edwards*, 92 CH 5703 (Circuit Court, Cook County). The Charter School shall ensure that no member of the Salazar class is deprived of his or her rights under the Settlement Agreement and the Charter School shall not interfere with the Board's performance of its obligations under the Settlement Agreement.

i. Conflict of Interest. The Charter School shall certify that neither it, nor any of its board members, directors, officers, employees, agents or family members of any such persons, have a private interest, direct or indirect, or shall acquire any such interest directly or indirectly, which does or may conflict in any manner with the Charter School's performance and obligations under this Agreement. The Charter School must establish safeguards to prohibit such a conflict of interest or an appearance of a conflict of interest from occurring during the term of the Agreement. By December 1, 2013, and thereafter no later than July 1 of each subsequent year, the Charter School shall submit to the Board a copy of its Conflict of Interest Policy (to the extent that it is not already a part of the Charter School's Ethics Policy as described in paragraph 5.j below) with a summary of any revisions from the previous year's version.

j. Ethics Policy. The Charter School shall adopt and maintain an Ethics Policy for its board members, directors, officers and employees to ensure that all such persons act in the highest standards of ethical conduct in order to directly benefit and serve the students at the Charter School. By December 1, 2014, and thereafter no later than July 1 of each subsequent year, the Charter School shall submit to the Board a copy of its Ethics Policy with a summary of any revisions from the previous year's version.

k. Debarment/Suspension; Bid-Rigging/Bid-Rotating. The Charter School certifies that it is not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from bidding for or participating in this transaction under 105 ILCS 5/10-20.21(b) or by any Federal or State department or agency. If it is later determined that the Charter School knowingly rendered a false certification, this Agreement may be voided, in whole or in part, in addition to other remedies available to the Board under this Agreement or by law. The Charter School further agrees by executing this Agreement that it will include this clause without modification in all lower tier transactions, solicitations, proposals, contracts and subcontracts. If the Charter School or any lower tier participant is unable to certify to this statement, it must attach an explanation to the Agreement.

The Charter School further certifies that it is not barred from entering into this Agreement by Sections 33E-3 and 33E-4 of the Criminal Code of 1961 (720 ILCS §5/33E-3, 33E-4). Sections 33E-3 and 33E-4 prohibit the award of a public contract to a person who has been convicted of bid-rigging or bid-rotating.

6. Financial Operations of Charter School.

a. Annual Audits. At fiscal year end, the Charter School shall prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations ("GAAP"). During the fiscal year, the Charter School shall operate in accordance with GAAP, the accrual basis of accounting, or any other basis of accounting, provided that the Charter School's accounting methods allow it to prepare reports required by the Board, the State Board, and any other grantors. The Charter School shall cause a Financial Statement Audit and Financial and Administrative Procedures Controls Review (collectively, the "Financial Audit"), to be performed annually at its expense by an outside independent auditor that must be retained by the Charter School, and such auditor must be reasonably acceptable to the Board. The Financial Audit shall include, without limitation:

i. An opinion on the financial statements (and Supplementary Schedule of Expenditures of Federal Awards, if applicable);

ii. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* and the Single Audit Act of 1984, as amended; and

iii. A report on compliance with requirements of applicable laws and regulations, including the audit requirements contained in the Accountability Plan.

The Financial Audit shall be made available to the Board no later than November 1 of each year during the term of this Agreement, beginning with November 1, 2015.

b. Financial Reports. The Charter School shall prepare or cause to be prepared quarterly financial reports including budgets, in accordance with Board instructions, which shall be submitted to the Board no later than thirty (30) calendar days after the end of each quarter and no later than forty-five (45) calendar days after the end of each fiscal year. The Board reserves the right to request accounts payable aging reports and cash forecast reports from the

Charter School within ten (10) business days of the Board's request. Also the Charter School shall prepare and provide to the Board an annual budget for each fiscal year in a Board-specified format by no later than July 1 of such fiscal year unless a later date is agreed to in writing by the Board. The fiscal year for the Charter School shall begin on July 1 of each year and end on June 30 of the subsequent year.

c. Distribution of Funds. The Board shall distribute the Charter School Funds, as determined in paragraph 6.d., in four quarterly installments distributed on or about July 22, October 15, January 15 and April 15 of each fiscal year, or the first business day following each such day if any such day falls on a Saturday, a Sunday, or a holiday. All funds distributed to the Charter School from the Board shall be used for educational purposes only. The use of such funds for any other purpose is strictly prohibited.

d. Funding Procedure. The Board shall calculate the per capita tuition payment for each pupil enrolled at the Charter School for each academic year based on the per pupil rates set forth in the final Budget Book adopted by the Board each fiscal year and shall provide this amount, less the employer's proportionate pension contributions (normal cost), to the Charter School for each pupil enrolled at the Charter School as set forth below. The Charter School acknowledges and agrees that the funding amounts provided to the Charter School by the Board may be adjusted or vary from year to year depending upon the amount of appropriations authorized by the Illinois General Assembly and subsequent Board approval of the budget on an annual basis.

i. First Installment (July 22). The amount of the Board's first quarterly payment shall be based initially on a pre-enrollment projection for the number of students enrolled in the Charter School which shall be provided to the Board no later than December 15 of the prior academic year, multiplied by one-fourth the per capita tuition amount. In the event, both parties agree that there has been a material change or an error(s) in the Charter School's pre-enrollment projection, the Board reserves the right to request a revised projection. The Board shall determine if the revised projection or the original projection will be used for the first quarter payment. It is understood and agreed that the first installment for each school year will be remitted only upon the Board receiving all required submissions and documentation on such dates as set forth in the compliance chart compiled by I&I.

ii. Second Installment (October 15). The amount of the Board's second quarterly payment shall be calculated such that the aggregate amount of the first and second quarterly installments is equal to the

number of students enrolled at the Charter School on an enrollment date for the first semester as determined by the Board which shall be provided to the Charter School in writing no later than September 1 of each year, as verified by attendance records, multiplied by one-half the per capita tuition amount.

iii. Third Installment (January 15). The amount of the Board's third quarterly payment shall be based on the number of students enrolled at the Charter School on the same enrollment date as set forth in paragraph 6.d.ii above, as verified by attendance records, multiplied by one-fourth the per capita tuition amount.

iv. Fourth Installment (April 15). The amount of the Board's fourth quarterly payment shall be calculated such that the aggregate amount of the third and fourth installments is equal to the number of students enrolled at the Charter School on an enrollment date for the second semester as determined by the Board which shall be provided to the Charter School in writing no later than September 1 of each year, as verified by attendance records, multiplied by one-half the per capita tuition amount.

v. Negative Value (if applicable). Any quarterly payments provided to the Charter School as calculated above that result in a negative amount shall be treated as a receivable to the Board and all subsequent payments shall be offset by the Board until the obligation to the Board is fulfilled by the Charter School.

e. School-Based Allocations for Supplemental General State Aid and Federal Title I Funds. The Charter School shall furnish the Board with eligibility data regarding Supplemental General State Aid ("SGSA") and Title I eligible students enrolled in the Charter School by a date determined by the Board. SGSA revenues to which the Charter School is entitled shall be distributed to the Charter School quarterly on the dates set forth in paragraph 6.d. hereof on an estimated basis, provided that the Board may adjust any such payment to account for prior deviations between the estimated SGSA funds paid and the amount of SGSA funds to which the Charter School was entitled during such payment period. Title I funding to the Charter School may also be adjusted by the Board to account for prior deviations between the estimated Title I funds paid and the amount of Title I funds to which the Charter School was entitled to during each fiscal year. Such amounts shall be in addition to the per pupil funding amounts set forth in the final Budget Book adopted by the Board each fiscal year. Pursuant to the financial management requirements set forth in Section 80.20 of the Education Department General Administrative Regulations

("EDGAR")(34 CFR Part 80), the Charter School will keep financial records of such funds separate from its other revenues and there shall be no co-mingling of monies in various accounts. During the first year of the Charter School's provision of educational services, any Title I or other Federal funding for which these students qualify shall be provided to the Charter School by the Board in accordance with the formulas set forth in the final Budget Book adopted by the Board each fiscal year.

Availability of SGSA and Title I Funds to a Charter School is conditional upon the amount of governmental funding available, and the Charter School's maintaining continuous reporting, inspections, and audits, the quality of which shall be satisfactory to the Board and other relevant regulatory organizations. The scope and frequency of program reporting shall be agreed upon by the Charter School and the Board prior to funding the relevant programs unless modifications are required by the governmental funding agencies.

f. Other Sources of Funds for Charter School. Paragraph 6.d. is not intended to increase or decrease the amount of per capita student tuition to which the Charter School is entitled under the Charter Schools Law. If the Charter School satisfies the funding criteria, and subject to funding availability, the Charter School may be eligible to receive additional funding from the Board by means of special education reimbursements or payments, per pupil allocations for English Language Learners, and independent facility supplements. In addition, any Charter School receiving federal or state grant funding must comply with all federal or state regulations tied to such grant funds. The availability of federal and state grant funds is dependent upon the Charter School's maintaining continuous reporting, inspections, and audits, the quality of which shall be satisfactory to the Board and other relevant regulatory organizations. The funding criteria and procedures related to the aforementioned categories shall be set forth in the final Budget Book adopted by the Board each fiscal year.

g. Refund of Unspent or Spent Funds. In the event that this Agreement is revoked or is not renewed by the Board, the Charter School shall refund to the Board all unspent funds in accordance with Section 27A-11(g) of the Charter Schools Law. In addition, if the Charter School does not expend or obligate all federal grant funds prior to the end of the respective grant period, the Board may recapture such unspent grant funds from the Charter School. In addition, if the Board determines that federal or state grant funds provided to the Charter School were not used or expended for the specific purpose for which they were intended, the Charter School shall promptly reimburse such grant funds to the Board within thirty (30) days of receipt of written notice from the Board.

h. Tuition and Fees. The Charter School shall not charge tuition to any student, unless such student would otherwise be liable for tuition costs under the Illinois School Code. The Charter School may charge reasonable fees, to the extent permitted by law, for textbooks, instructional materials, summer school programs, after school programs, and student activities.

i. Outside Funding. The Charter School may accept gifts, donations or grants pursuant to Section 27A-11(d) of the Charter Schools Law, provided that no such gifts, grants or donations may be accepted if contrary to applicable law or to the terms of this Agreement. In the event that the Charter School solicits funding from sources other than those set forth in this paragraph 6, it shall comply with all applicable State or Federal laws regarding the reporting of charitable solicitations.

j. Pension Payments. The Board shall make payments directly to the Chicago Teachers Pension Fund for the employer's pension liability on behalf of any education, administrative or other staff member employed at the Charter School (whether by the Charter School itself or one of its subcontractors) who is certified under the law governing certification of teachers. The Board shall have the right to charge the Charter School for the proportionate share of the annual estimated employer's normal pension cost, and to deduct that amount from the quarterly payments due to the Charter School. After each fiscal year, the Board shall verify the Charter School's actual employer's share of the normal pension cost for the previous fiscal year and shall compare to that amount to the proportionate share of the annual estimated employer's normal pension cost that was withheld from the Charter School in the previous fiscal year. If the Charter School's estimated employer's normal pension cost exceeds or is less than the actual employer's pension cost, an adjustment (refund/withholding) shall be made by the Board in a future quarterly payment to the Charter School.

The Board shall not have any duty to make the employee's or other staff's member contributions. Notwithstanding the foregoing, the Charter School acknowledges and agrees that the Board retains the right to collect delinquent employee contributions from the Charter School in accordance with Section 17-132 of the Illinois Pension Code (40 ILCS 5/17-132) and may deduct such delinquent contributions from any quarterly payments due the Charter School. Pursuant to Section 17-132(a) and (b) of the Illinois Pension Code, employee contributions are deemed delinquent if the Chicago Teachers Pension Fund does not receive the employee contributions by the 30th calendar day after each predesignated payday.

In the event that the Board elects to deduct delinquent employee

contributions from quarterly payments due the Charter School, the Board shall provide the Charter School with fifteen (15) calendar days prior written notice setting forth in detail the grounds for such action and the amount delinquent. If the Charter School fails to cure such delinquency to the Board's satisfaction within said 15-day cure period, the Board shall be deemed to have a sufficient basis to withhold such funds from any quarterly payments otherwise due the Charter School and to remit such funds to the Chicago Teachers Pension Fund.

The parties hereby acknowledge and agree that the Charter School shall comply with those provisions of the Illinois Pension Code which specify applicability to, or compliance by, charter schools and it is not the intent of the parties to have the Charter School comply with any other portions of the Illinois Pension Code.

k. Management and Financial Controls. At all times, the Charter School shall maintain appropriate governance and managerial procedures and financial controls which procedures and controls shall include, but not be limited to: (1) accounting methods as specified in paragraph 6.a.; (2) a checking account; (3) adequate payroll procedures; (4) bylaws; (5) an organizational chart; (6) procedures for the creation and review of monthly and quarterly financial reports, which procedures shall specifically identify the individual who will be responsible for preparing such financial reports in the following fiscal year; (7) internal control procedures for cash receipts, cash disbursements and purchases; and (8) maintenance of asset registers and financial procedures for grants in accordance with EDGAR or the State Board.

l. Attendance. The Charter School shall maintain accurate enrollment data and daily records of student attendance. The Charter School shall provide the Board with current enrollment and attendance data, including Individualized Educational Plan and English Language Learner data, via the Board's IMPACT System ("IMPACT System"), or such other system as may be subsequently implemented by the Board. Such enrollment and attendance data shall be maintained and updated on the IMPACT System on a daily basis by the Charter School (or on any other time-frame basis consistent with district-level reporting). The Board shall provide the Charter School with the necessary IMPACT System access, software and training to allow Charter School personnel to use the Board's IMPACT System and input enrollment/attendance data.

m. Deductions for Facility Expenses. If the Charter School is located in a Board facility, the Board may offer to provide the Charter School with certain facility services including building maintenance, technology services, utilities, and safety and security ("Facility Services"). A Charter School located in a Board facility and utilizing the Facility Services will have such charges deducted from

the quarterly payments issued by the Board and such services and charges will be outlined in the lease between the Board and the Charter School. Such charges may be adjusted annually or upon such other terms as set forth in the lease agreement.

n. Withholding of Funds. In the event that the Board deems that there has been a material violation of this Agreement, the Board may withhold any and all payments of funds to the Charter School in the event that the Charter School fails to cure such material violation(s) after receiving prior written notice by the Board enumerating the specific material violation(s) on the part of the Charter School and the period of time during which the Charter School shall have the opportunity to cure such material violation(s). Upon the Charter School's cure of any such material violation(s), the Board shall immediately release any and all payments of funds due the Charter School.

7. Purchase Agreement. The Board and the Charter School may enter into a purchase agreement or agreements providing for the purchase by the Charter School from the Board of certain goods, services and materials in connection with the operation of the Charter School.

8. Insurance. The Charter School shall, at its own expense, purchase and maintain insurance covering all of its operations, whether performed by Charter School or by subcontractors. Such insurance shall include the types of insurance set forth in Exhibit B hereto, subject to the conditions and in no less than the respective limits set forth therein. All insurers shall be licensed by the State of Illinois and rated A-VII or better by A. M. Best or a comparable rating service. No later than fifteen (15) days following the execution of this Agreement, and each July 1 thereafter, the Charter School shall provide the Board with certificates of insurance or other satisfactory proof evidencing coverage in the types and amounts as set forth in Exhibit B.

9. Academic Accountability and Evaluations.

a. Accountability Plan. The Charter School shall be held accountable by the Board in accordance with the Accountability Plan contained in Exhibit C. If there are any material changes regarding testing requirements or other accountability standards which are due to the enactment of State or Federal Law, or which are dictated by circumstances outside of the Board's control, the parties agree that the Accountability Plan attached hereto as Exhibit C shall be subject to revision and modification by the Board effective on July 1 of each year of the Agreement upon written notice from the Board no later than June 30 of each year; provided, however, if the changes to the Accountability Plan are based on the Board's directive, then written notice from the Board shall be given no later than May 1 of each year. Notwithstanding the foregoing, the Board shall make a

reasonable good faith effort to engage the Charter School in discussions regarding the proposed changes to the Accountability Plan in advance of the May 1 date. However, in the event the Charter School determines that it does not want to be evaluated and measured against any such revised Accountability Plan, the Charter School shall have the right to terminate this Agreement upon prior written notice to the Board and such termination shall be effective as of the end of the current academic year. Any subsequently revised Accountability Plans approved by the Board shall be incorporated herein by reference and made a part of this Agreement as if fully set forth herein.

b. Standardized Tests. The Charter School shall administer such standardized tests of academic proficiency as are provided for in the Accountability Plan, and shall participate in State assessments required by Section 2-3.64 of the Illinois School Code. In accordance with Section 27A-6(b) of the Charter Schools Law, the Charter School shall administer any other nationally recognized standardized tests to its students that the Board administers to the district's students and the results on such tests shall be included in the Board's assessment reports. The Charter School is responsible for ensuring that the data elements (i.e., student names, demographic information, etc.) required to administer the State and CPS assessments are correctly entered into the district's IMPACT System, or such other system as may be subsequently implemented by the Board.

c. Site Visits. In addition to the above procedures, the Charter School shall grant reasonable access to, and cooperate with, the Board, its officers, employees and other agents, including allowing site visits by the Board, its officers, employees and other agents, for the purpose of allowing the Board to fully evaluate the operations and performance of the Charter School pursuant to the Accountability Plan and the Charter Schools Law. Where possible, the Board shall provide the Charter School with at least 24 hours prior notice of such site visits.

10. Special Education and Supports.

a. The Charter School shall provide special education and related services to students with disabilities in accordance and compliance with (i) the student's Individualized Education Program ("IEP"); (ii) the Individuals with Disabilities Education Act (20 U.S.C. §1401 *et seq.*, as amended) and any regulations promulgated thereunder; (iii) Article 14 of the Illinois School Code (105 ILCS 5/14-1.01 *et seq.*, as amended) and any regulations promulgated thereunder; (iv) the Board-approved "A Procedural Manual Educating Children with Disabilities in Chicago Public Schools", as may be amended from time to time, which is incorporated herein by reference; (v) any and all Federal court

orders applicable to students with disabilities in the Chicago Public Schools; (vi) any and all service bulletins and guidelines issued by the Board's Office of Diverse Learner Supports and Services and the Office of Student Health and Wellness; and (vii) all applicable health and safety regulations of the State of Illinois and the City of Chicago including, without limitation, those laws specifically identified by the State Board as being applicable to charter schools as referenced in paragraph 5.a.xiv set forth above. In addition, the Charter School shall provide reasonable accommodations and related services to students with mental or physical impairments who qualify under Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §706 *et seq.*) in accordance and compliance with (viii) the student's Section 504 Plan, and (ix) the Board policies and procedures regarding students' 504 Plans.

b. Special Education Teachers & Paraprofessionals. The Charter School shall hire its own special education teachers and paraprofessionals to provide special education services to the Charter School's students with disabilities. The Board shall reimburse the Charter School for the salary and benefits of certified special education teachers and paraprofessionals based on the Board's special education staffing formulas and the student's IEP. Such reimbursement rates for full-time equivalent certified special education teachers and paraprofessionals shall be as set forth in the final Budget Book adopted by the Board each fiscal year and shall be effective on the later of (i) the date of the Charter School's submission to the Board via its Position Analysis Request Form ("PARF") or (ii) the initial date of employment of the staff person.

c. Related Service Providers. The parties acknowledge and agree that it is the expectation of both parties that the Charter School will hire its own related service providers to provide special education and 504 services to the Charter School's students with disabilities. The Board shall reimburse the Charter School for the salary and benefits of related service providers based on the Board's per CPS allocation percentage and the student's IEP or 504 Plan. Such reimbursement rates for full-time equivalent related service providers shall be as set forth in the final Budget Book adopted by the Board each fiscal year and shall be effective on the initial date of employment of the related service provider.

Nevertheless, if the Charter School ascertains that it will not be able to hire, or subcontract for, related service providers to provide special education or 504 services for a given academic year, the Charter School may apply for a waiver of that requirement at such time. The CEO or his designee shall review the Charter School's waiver application and make a determination whether to approve or reject the waiver request. If approved, the CEO or his designee, as a last resort, shall assign the necessary staff of related service providers to the Charter School. Failure to inform the Board of its inability to hire, or subcontract for, its

related service providers shall be deemed a material breach of the Agreement by the Charter School, subject to paragraph 13 herein, and the Board shall consider such non-compliance a factor in determining whether to revoke or renew the Charter School's charter.

d. Staff Requirements. In accordance with the Board's budgetary process, the Charter School shall receive the projected staffing allocation for special education teachers, paraprofessionals and related service providers required by State guidelines, based on students enrolled at the Charter School, entered into and identified as needing services by the students' IEPs or 504 Plans and the Board's IMPACT System. The Board may during the school year issue adjustments to these staff requirements to accommodate changes in the enrollment, IEP needs and 504 Plans of the Charter School's students. All special education teachers, paraprofessionals and related service providers employed by the Charter School shall have the requisite qualifications, Illinois certificates and/or licenses. All special education teachers, paraprofessionals and related service providers employed by the Charter School must attend at least four (4) professional development training sessions on an annual basis. The Board shall notify the Charter School of the available dates, locations, times and topics for the professional development training sessions through several communication channels.

e. Case Manager. The Charter School shall appoint one of its special education personnel as a qualified case manager. The Board shall provide the Charter School with a stipend per semester for such qualified case manager. The stipend amount for a qualified case manager shall be as set forth in the final Budget Book adopted by the Board each fiscal year; however, such amount is subject to the terms of the agreement between the Board and the Chicago Teachers Union. A case manager shall be deemed qualified if he or she has a Professional Educator License (PEL) with one of the following endorsements: special education, school counselor, school social worker, school psychologist, school nurse or speech language pathologist (non-teaching). At least two (2) years' experience in the field of special education is recommended/preferred for such case manager.

f. Additional Resources. Notwithstanding paragraph 6 of this Agreement, the Board shall provide necessary additional resources including assistive technologies (as required by a student's IEP or 504 Plan) for the education of students with disabilities enrolled in the Charter School in accordance with the Individuals with Disabilities Education Act, Section 504 of the Rehabilitation Act of 1973, and the IEPs and 504 Plans of such students. Such additional resources shall be sufficient to comply with all provisions of the Charter Schools Law, including Section 27A-11 thereof.

g. Subsequent Funding for Special Education and Supports. In the event that the Board adopts a new school funding methodology for special education and supports, the Board reserves the right to provide funds to the Charter School on a per-student basis for the salaries and benefits of full-time equivalent certified special education personnel referenced hereinabove and the provisioning of special education and 504 services for students with disabilities.

11. Comprehensive School Management Contracts. No entity or party other than the Charter School may provide comprehensive school management or operations except upon the prior approval of the Board, and certification by the State Board. Furthermore, in the event the Charter School desires to enter into any contract for comprehensive school management or operations services to be performed in substantial part by an entity not a party to this Agreement, the provisions of Exhibit D attached hereto must be incorporated into any such contract.

12. Renewal of Charter; Failure to Renew. No later than January 1, 2017, and no earlier than July 1, 2017, but in no event later than the date set by I&I, the Charter School shall provide a written proposal to the Board in accordance with Section 27A-9 of the Charter Schools Law, setting forth proposed terms of renewal of this Agreement. Pursuant to Section 27A-9(b) of the Charter Schools Law, the renewal proposal of the Charter School shall contain the most recent audit report and financial statement of the Charter School. The written proposal may contain proposed changes to this Agreement that the Charter School desires to incorporate into the renewed agreement. The renewal proposal shall be evaluated by I&I in accordance with paragraph 4 of Exhibit C.

No later than June 30, 2017, I&I shall notify the Charter School of its recommendation regarding such renewal indicating whether, and upon what conditions, it is willing to recommend to the Board the renewal of the charter and the Agreement, including any modified terms proposed by I&I. If there is no agreement on the terms of renewal, then the parties shall fulfill their mutual obligations hereunder to the end of the term of this Agreement. The Board may refuse to renew the charter and the Agreement upon a finding that any cause for revocation exists under paragraph 13 hereof.

13. Revocation of Charter. The Board may revoke this Agreement and the charter of the Charter School, in accordance with Section 27A-9 of the Charter Schools Law, if the Board clearly demonstrates that the Charter School did any of the following, or otherwise failed to comply with the requirements of the Charter Schools Law:

a. Committed a material violation of any of the conditions, standards, or procedures set forth in this Agreement including the Accountability Plan; or

b. Failed to meet or make reasonable progress toward achievement of the content standards or pupil performance standards identified in this Agreement or in the Accountability Plan; or

c. Failed to meet generally accepted standards of fiscal management;
or

d. Materially violated any provision of law from which the Charter School was not exempted.

In case of revocation, the Board shall notify the Charter School in writing of the reason why the charter of the Charter School is subject to revocation. The Charter School shall submit a written plan to the Board to rectify the problem. The plan shall include a timeline for implementation, which shall not exceed two (2) years or the date of the charter's expiration, whichever is earlier. If the Board finds that the Charter School has failed to implement the plan of remediation and adhere to the timeline, then the Board shall revoke the charter of the Charter School. Except in situations of an emergency where the health, safety or education of the Charter School's students is at risk, the revocation shall take place at the end of the school year. Nothing in this subparagraph shall be construed to prohibit an implementation timetable that is less than two (2) years in duration.

In addition, the charter of the Charter School may be revoked in the event that the parties agree to terminate this Agreement by mutual consent pursuant to paragraph 24 of this Agreement, or in accordance with any specific revocation indicators set forth in paragraph 4 of Exhibit C.

In the event that the Board proposes to revoke this Agreement and the charter of the Charter School, the Board shall provide the Charter School with written notice setting forth in detail the grounds for such revocation at least 14 days prior to the date the Board takes final action on such revocation.

14. Indemnification.

a. To the fullest extent permitted by law, the Charter School shall indemnify, defend and hold harmless the Board, its members, officers, employees, agents, affiliates and representatives, past and present (collectively, the "Board Indemnitees"), from and against any and all liabilities, losses, penalties, damages and expenses, including costs and attorney fees, arising out of all claims, liens, demands, suits, liabilities, injuries (personal or bodily), of every kind, nature and character arising or resulting from or occasioned by or in connection with (i) the possession, occupancy or use of the property of the

Charter School by its faculty, students, patrons, employees, guests or agents, (ii) any negligent, willful or wrongful act or omission to act by the Charter School, its faculty, students, patrons, employees, guests or agents, (iii) a violation of any law, statute, code, ordinance or regulation by the Charter School, its faculty, students, patrons, employees, subcontractors, guests or agents, and/or (iv) any breach, default, violation or nonperformance by the Charter School of any term, covenant, condition, duty or obligation provided in this Agreement including, but not limited to, the Accountability Plan. In addition, to the extent that the Charter School is subject to taxes under Section 4980H of the Internal Revenue Code (pertaining to the Patient Protection and Affordable Care Act), the Charter School shall be solely responsible for paying such taxes and in the event that the Board is determined to be liable for taxes under Section 4980H of the Internal Revenue Code as a result of the performance of the Charter School's faculty, employees or agents under this Agreement, the Charter school shall indemnify, defend and hold harmless the Board for any such liability. All of the foregoing shall be referred to collectively herein as the "Covered Losses". This indemnification shall not apply to the extent that any Covered Loss results from the negligence or wrongful act or omission of any Board Indemnitee or from any act or omission of the Charter School required by law or this Agreement.

b. To the fullest extent permitted by law, the Board shall indemnify, defend and hold harmless the Charter School, any successor entity thereto, and their respective members, officers, employees, agents, affiliates and representatives, past and present (collectively, the "Charter Indemnitees"), from and against any and all liabilities, losses, penalties, damages and expenses, including costs and attorney fees, arising out of all claims, liens, demands, suits, liabilities, injuries (personal or bodily), of every kind, nature and character arising or resulting from or occasioned by or in connection with (i) a violation of any law, statute, code, ordinance or regulation by the Board, its members, officers, employees or agents and/or (ii) any breach, default, violation or nonperformance by the Board of any term, covenant, condition, duty or obligation provided in this Agreement or the Accountability Plan (collectively, the "Covered Losses"). This indemnification shall not apply to the extent that any Covered Loss results from the negligence or wrongful act or omission of any Charter Indemnitee or from any act or omission of the Board required by law or this Agreement.

c. This indemnification, defense and hold harmless obligation shall survive the termination of this Agreement. Any indemnified party shall have the right, at its own expense, to participate in the defense of any suit, without relieving the indemnifying party of any of its obligations hereunder.

15. Disclaimer of Liability. The parties expressly acknowledge that the

Charter School is not operating as the agent, or under the direction and control, of the Board except as required by law or this Agreement, and that the Board assumes no liability for any loss or injury resulting from: (1) the acts and omissions of the Charter School, its directors, trustees, agents, subcontractors or employees; (2) the use and occupancy of the building or buildings occupied by the Charter School, or any matter in connection with the condition of such building or buildings; or (3) any debt or contractual obligation incurred by the Charter School. The Charter School acknowledges that it is without authority to, and will not, extend the faith and credit of the Board or the Chicago Public Schools to any third party.

16. Winding Down Procedures Upon Revocation, Non-Renewal or Termination by Mutual Consent. If the Board revokes this Agreement and the charter of the Charter School, or does not renew the Agreement and the charter of the Charter School, or the Agreement and the charter of the Charter School are otherwise terminated by the mutual consent of the parties, the Charter School shall follow the procedures set forth below:

a. The Charter School shall be responsible for winding down the operations of the Charter School, including payment of any and all debts, loans, liabilities (contingent or otherwise) and obligations incurred at any time by the Charter School in connection with the operation of the Charter School. Under no circumstances, shall the Board or the Board's members, officers, employees or agents, or those acting on behalf of the Board's members, officers, employees and agents, be responsible for such obligations.

b. The Charter School shall cooperate with I&I and shall abide by the school closing procedures as required by I&I to effectuate the orderly closing of the Charter School.

17. Governing Law. This Agreement shall be governed by, subject to and construed under the laws of the State of Illinois without regard to its conflicts of laws provisions.

18. Waiver. No waiver of any breach of this Agreement shall be held as a waiver of any other or subsequent breach.

19. Dispute Resolution. If a minor violation or dispute arises between the parties relating to the interpretation or performance of this Agreement, designated representatives of each party who shall have the authority to resolve the dispute shall attempt in good faith to negotiate or mediate a resolution of the dispute. Notwithstanding anything to the contrary in this paragraph, both parties shall continue to perform their obligations under this Agreement in good faith during the resolution of such minor dispute, unless and until this Agreement is terminated in accordance with

the provisions hereof.

20. Counterparts; Facsimile/Electronic Signatures. This Agreement may be signed in counterparts, which shall together constitute the original Agreement. Signatures received by facsimile or electronically scanned by either of the parties shall have the same effect as original signatures.

21. Terms and Conditions of Application. The parties hereto expressly agree that the Application sets forth the overall goals, standards and general operational policies of the Charter School. The Charter School acknowledges and agrees that its Application is an integral part of this Agreement, and the Board shall have the right to hold the Charter School responsible for all information, representations and statements contained in the Application. The parties understand, however, that the Application is not a complete statement of each detail of the Charter School's operation. To the extent that the Charter School desires to implement specific policies, procedures or other specific terms of operation that supplement or otherwise differ from those set forth in the Application, the Charter School shall be permitted to implement such policies, procedures, and specific terms of operation, provided that such policies, procedures and terms of operation are consistent with the goals, standards and general operational policies set forth in this Agreement and the Charter Schools Law.

22. Amendments. This Agreement may be amended only by written consent of the parties hereto and, in the case of material amendments, only after submission of such amendments to, and approval by, the State Board in accordance with Section 27A-6(e) of the Charter Schools Law. For purposes of this Agreement, the parties acknowledge that material changes include, but are not limited to, the following: (a) the addition of new grades; (b) an increase in enrollment capacity; (c) a move to a new Attendance Center; and (d) any and all other material modifications to this Agreement.

23. Assignment. This Agreement may not be assigned or delegated by the Charter School under any circumstances, it being expressly understood that the charter granted hereby runs solely and exclusively to the Charter School.

24. Termination. This Agreement may be terminated prior to its expiration by the mutual consent of the parties or revocation of the charter of the Charter School pursuant to paragraph 13 hereof. Termination of this Agreement for any reason shall serve to immediately revoke the charter granted hereby.

25. Notices. Any notice, demand or request from one party to any other party or parties hereunder shall be deemed to have been sufficiently given or served for all purposes if, and as of the date, it is delivered by hand, overnight courier, facsimile (with confirmation thereof), or within three business days of being sent by registered or certified mail, postage prepaid, to the parties at the following addresses:

If to the Charter School: Providence Englewood School Corporation
6515 South Ashland Avenue
Chicago, Illinois 60636
Attn: John Stoops, Board Chairperson
Facsimile: (773) 722-6032

With a copy to: Mayer Brown LLP
71 South Wacker Drive
Chicago, Illinois 60606
Attn: David Narefsky, Partner
Facsimile: (312) 706-9136

If to the Board: Chicago Board of Education
Office of Innovation and Incubation
125 South Clark Street, 10th Floor
Chicago, Illinois 60603
Attn: Jack Elsey, Chief Innovation and Incubation Officer
Facsimile: (773) 553-3225

With a copy to: Chicago Board of Education
Law Department
125 South Clark Street, 7th Floor
Chicago, Illinois 60603
Attn: James L. Bebley, General Counsel
Facsimile: (773) 553-1701

26. Audit and Document Retention. The Charter School shall maintain records showing time expended and costs incurred in operating the Charter School. All records referenced above and all records required to be maintained as part of operating the Charter School shall be retained for five (5) years after the term of this Agreement and shall be subject to inspection and audit by the Board. The Charter School shall include in all subcontractor agreements provisions requiring subcontractors to maintain the above described records and allowing the Board, the Inspector General of the Board, and their duly authorized representatives the same right to inspect and audit said records as set forth above with respect to the books and records maintained by the Charter School.

27. Severability. In the event that any provision of this Agreement or the application thereof to any person or in any circumstances shall be determined to be invalid, unlawful, or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to persons or circumstances other than those as to which it is determined to be invalid, unlawful or unenforceable, shall not be affected

thereby, and each remaining provision of this Agreement shall continue to be valid and may be enforced to the fullest extent permitted by law.

28. Superseder. This Agreement supersedes and replaces any and all prior agreements and understandings between the Board and the Charter School with respect to the subject matter hereof. To the extent that any conflict or incompatibility exists between the Application as incorporated herein and the other terms of this Agreement, such other terms of this Agreement shall control.

29. Delegation. The parties agree and acknowledge that the functions and powers of the Board may be exercised by the Chief Executive Officer of the Chicago Public Schools, provided that any ultimate decision regarding renewal, non-renewal or revocation of this Agreement may be made only by the Chicago Board of Education.

30. Prior Actions. It is expressly agreed and understood that as a condition precedent to this Agreement becoming effective on the Effective Date hereof, the Charter School shall have taken, completed and satisfied on or before the date specified herein any action or obligation which is required to be completed before such Effective Date, and that failure to do so shall constitute grounds for the Board to declare this Agreement null and void.

31. Construction. This Agreement shall be construed fairly as to both parties and not in favor of or against either party, regardless of which party prepared the Agreement.

32. Incorporation of Exhibits. All exhibits referenced herein are hereby incorporated into and made a part of this Agreement.

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IN WITNESS WHEREOF, the parties have made and entered into this Agreement as of the Effective Date hereof.

**BOARD OF EDUCATION OF THE
CITY OF CHICAGO**

By: David J. Vitale
David J. Vitale, President

**PROVIDENCE ENGLEWOOD
SCHOOL CORPORATION**

By: JH 2-8-
Name: JOHN H. STOPS
Title: CHAIR, BOARD OF TRUSTEES

ATTEST:

By: Susan J. Narrajos
Susan J. Narrajos, Assistant Secretary

Dated: 4/1/14

ATTEST:

By: Donald W. [Signature]
Name: Donald W. [Signature]
Title: Chairman Emeritus

Dated: 3/31/14

Board Report: 14-0226-EX10-1

Approved as to legal form: [Signature]

[Signature]
James L. Bebley, General Counsel

Attachments:

- Attachment 1 - Additional Specific Terms and Conditions
- Exhibit A - Application
- Exhibit B - Insurance Requirements
- Exhibit C - Accountability Plan
- Exhibit D - Comprehensive Management Services Contract Requirements

ATTACHMENT 1

ADDITIONAL SPECIFIC TERMS AND CONDITIONS

The Charter School must fulfill the following additional specific terms and conditions below and submit the necessary documentation to I&I although fulfillment of these additional specific terms and conditions alone in no way ensures a future renewal of the charter and the Agreement:

1. By July 1 of every year of this Agreement, the Charter School shall submit to I&I the following materials to provide evidence that it is in compliance with the Charter Schools Law:
 - a. Student Code of Conduct,
 - b. By-laws, and
 - c. Materials to be used for the upcoming academic year's student application, enrollment process and lottery, and school admission requirements.
2. Based on each year's Financial Audit, the Charter School, at a minimum, must have scores of 3 for the following categories:
 - a. Reporting: Quarterly Statements,
 - b. Reporting: Federal/State/CPS Compliance Document Submissions, and
 - c. Legal Compliance.

Conclusion

Upon approval by the Board to renew the charter and the Agreement, the aforementioned specific terms and conditions shall be incorporated into and made a part of the Agreement. If the Charter School fails to meet these conditions within the designated timeframes, the Board may elect to i) revoke the Agreement, ii) pursue all other remedies available under the Agreement, or iii) not renew the Agreement in the future.

EXHIBIT A

APPLICATION

The following documents are hereby incorporated by reference as if set forth fully herein and collectively constitute the Application:

1. Excerpts of the renewal Application of the Charter School dated September 3, 2013, as approved by the Board on February 26, 2014.

EXHIBIT B

INSURANCE REQUIREMENTS

See attached.

INSURANCE REQUIREMENTS

1. **Insurance:** The Charter School, at its own expense, shall procure and maintain insurance covering all operations under the Agreement, whether performed by the Charter School or by subcontractors. All insurers shall be licensed by the State of Illinois and rated A-VII or better by A.M. Best or a comparable rating service. The Charter School shall submit to the Board satisfactory evidence of insurance coverage prior to commencement of operations under the Agreement and upon request, shall promptly provide a certified copy of any applicable policy of insurance. Minimum insurance requirements include the coverage set forth below:
 - a. **Workers' Compensation and Employers' Liability Insurance:** Workers' Compensation Insurance affording workers' compensation benefits for all employees as required by law and Employers' Liability Insurance covering all employees who are to provide services under the Agreement with limits of not less than Five Hundred Thousand and 00/100 Dollars (\$500,000.00) per occurrence.
 - b. **Commercial General Liability Insurance:** Commercial General Liability Insurance or equivalent with limits of not less than One Million and 00/100 Dollars (\$1,000,000.00) per occurrence, and Two Million and 00/100 Dollars (\$2,000,000.00) in the aggregate, combined single limit for bodily injury, personal injury and property damage liability coverage shall include the following: all premises and operations, products/completed operations (for a minimum of two (2) years following completion), independent contractors, separation of insureds, defense and contractual liability. Policy shall not exclude sexual abuse/molestation coverage. The Board shall be named as an additional insured on a primary, non-contributory basis for any liability arising directly or indirectly from services.
 - c. **Automobile Liability Insurance:** Automobile Liability Insurance is required when any motor vehicle (whether owned, non-owned or hired) is used in connection with services to be performed, with limits of not less than One Million and 00/100 Dollars (\$1,000,000.00) per occurrence for bodily injury and property damage. If a vehicle (whether owned, non-owned or hired) is used to transport students, with limits of not less than Ten Million and 00/100 Dollars (\$10,000,000) per occurrence for bodily injury and property damage unless a Board-approved bus vendor is used.

- d. **School Board Legal/Professional:** School Board Legal/Professional liability insurance covering the Charter School and its directors and officers from liability claims arising from wrongful acts, errors or omissions in regards to the conduct of their duties related to the operation and management of the school with limits of not less than Two Million and 00/100 Dollars (\$2,000,000.00) per claim. Coverage shall include Employment Practices Liability and Sexual Harassment.
- e. **Umbrella/Excess Liability Insurance:** Umbrella or Excess Liability Insurance with limits of not less than Two Million and 00/100 Dollars (\$2,000,000.00) to provide additional limits for underlying general and automobile liability coverages.
- f. **Catastrophic Accident Insurance:** Catastrophic Accident Insurance covering the Charter School that enrolls grades 9 through 12 with aggregate benefit limits of \$3 million or 5 years, whichever occurs first, for eligible students in grades 9 through 12 who sustain an accidental injury while participating in school-sponsored or school-supervised interscholastic athletic events sanctioned by the Illinois High School Association (including direct and uninterrupted travel to and from the athletic event as well as during a temporary stay at the location of an athletic event held away from the student's school) that results in medical expenses in excess of \$50,000. These benefit limits are to be in excess of any and all other insurance, coverage or benefit, in whatever form or designation.
- g. **Property Insurance/Fire Legal Liability :** Property Insurance (on a special form cause of loss or all-risk basis) and Fire Legal Liability for full Replacement Cost of property, including Board property for which the Charter School is contractually responsible, by lease or other agreement, from physical loss or damage. Such insurance shall cover boiler and machinery exposures and business interruption/extra expense losses.
- h. **Fidelity Bond.** Fidelity bond coverage in the amount of at least Two Hundred Thousand and 00/100 Dollars (\$200,000.00) with a responsible surety company with respect to all of Charter School's employees as may be necessary to protect against losses including, without limitation, those arising from theft, embezzlement, fraud, or misplacement of funds, money or documents. The bond shall name the Board of Education of the City of Chicago as a third party.

- i. **Construction:** The Charter School shall indemnify, defend and agree to save and hold Board harmless from and against all liability, injury, loss, claims, cost, damage and expense with respect to any injury to, or death of, any person, or damage to or loss or destruction of, any property occasioned by or growing out of any construction work on Board property. The Charter School shall not commence any such work until the Board has been provided with insurance certificates evidencing that the contractors and subcontractors performing such work have in full force and effect adequate insurance as required by the Board's construction program at the time of the work. Required coverage may include, but is not limited to: workers' compensation, general liability, professional liability, automobile liability, environmental liability, excess liability, property and builders' risk insurance. The Charter School's contractors are subject to the same requirements as the Charter School in regards to additional insured, rating, notice, etc.

2. **Additional Insured.** The Charter School shall have its general liability insurance and automobile liability insurance policies endorsed to provide that the Board of Education of the City of Chicago, a body politic and corporate, and its members, employees, officers, officials and agents, and any other entity as may be designated by the Board are named as additional insured on a primary basis without recourse or right of contribution from the Board.

3. **Insurance Certificate.** The Charter School, its insurance company, or its insurance company representative shall submit an insurance certificate to the Board evidencing all coverage as required hereunder and indicating the Additional Insured status as required above. The Board will not pay the Charter School for any work if satisfactory proof of insurance is not provided prior to the commencement of services. The certificate must provide thirty (30) days prior written notice of material change, cancellation, or non-renewal be given to:

Board of Education of the City of Chicago
Office of Innovation and Incubation
125 S. Clark Street, 10th Floor
Chicago, Illinois 60603
ATTN: Jack Elsey, Chief Innovation and Incubation Officer

4. **General.** Any failure of the Board to demand or receive proof of insurance coverage shall not constitute a waiver of the Charter School's obligation to obtain the required insurance. The receipt of any certificate does not constitute an agreement by the Board that the insurance requirements in the

Agreement have been fully met or that the insurance policies indicated on the certificate are in compliance with all requirements in the Agreement.

The Charter School's failure to carry or document required insurance shall constitute a breach of the Charter School's Agreement with the Board. Non-fulfillment of the insurance conditions may constitute a violation of the Agreement, and the Board retains the right to stop work until proper evidence of insurance is provided, or the Agreement may be terminated.

Any deductibles or self-insured retentions on referenced insurance coverage must be borne by the Charter School. Any insurance or self-insurance programs maintained by the Board do not contribute with insurance provided by the Charter School under the Agreement.

All subcontractors are subject to the same insurance requirements of the Charter School unless otherwise specified in this Agreement. The Charter School shall require any and all subcontractors under this Agreement to carry the insurance as required herein and to comply with the foregoing requirements; otherwise, the Charter School shall provide coverage for subcontractors. The Charter School will maintain a file of subcontractor's insurance certificates evidencing compliance with these requirements.

The coverages and limits furnished by the Charter School in no way limit the Charter School's liabilities and responsibilities specified within the Agreement or by law. The required insurance is not limited by any limitations expressed in the indemnification language in this Agreement, if any, or any limitation that might be placed on any indemnity in this Agreement given as a matter of law.

The Charter School agrees that insurers waive their rights of subrogation against the Board.

EXHIBIT C
ACCOUNTABILITY PLAN

See attached.

CHARTER ACCOUNTABILITY PLAN – STARTING IN 2014-2015 SCHOOL YEAR

The Board and the Charter School have determined that it is in the best interests of the Board, the Charter School, students, parents and the public to articulate clear standards for the Charter School. The governing board of the Charter School shall be responsible for overseeing the academic performance of the Charter School and ensuring the academic success of the Charter School's students. Additionally, the governing board of the Charter School is responsible for ensuring that the Charter School's financial management and compliance meets the minimum acceptable standards, defined as Average performance in the below plan. The governing board of the Charter School shall be held accountable through an annual performance evaluation and the publishing of a public Performance Scorecard outlining the level of achievement of the Charter School with respect to those standards, based on data collected during the prior school year.

1. Accountability Components

The Board and the Charter School hereby agree that the Charter School shall be evaluated annually in accordance with the Agreement and this Accountability Plan, as may be amended from time to time in order to ensure, at a minimum, alignment with the district's School Quality Rating Policy ("SQRP") for both elementary and high schools adopted by the Board on August 28, 2013 (13-0828-PO5), as may be amended from time to time, which policy is hereby incorporated by reference into and made a part of this Agreement as if fully set forth herein.

2. Annual Performance Scorecard

Annually the Board shall publish a Performance Scorecard indicating the Charter School's performance overall and by each Attendance Center or campus if applicable, on each of the indicators in the following two categories: Pupil Performance and Financial Management and Compliance. The Board reserves the right to also publish any underlying documentation with respect to such Performance Scorecard including, but not limited to, the Financial Audit of the Charter School as referenced in paragraph 6.a. of the Agreement. A Performance Scorecard for the preceding school year will be issued each year as soon as the data and corresponding analysis is available.

Pursuant to the SQRP, the Board will assign Charter Schools an accountability designation for purposes of comparison to other CPS schools and public reporting. The level of the Charter School's achievement and progress will be determined by a set of indicators measuring, among other things, student academic performance and growth, attendance, progress toward graduation, post-graduation success, school culture and climate, and data quality.

The SQRP shall be used to determine if a school is meeting or making reasonable academic progress, as defined in the Illinois Charter Schools Law. This determination shall be used in decisions concerning the revocation or renewal of a school's charter or contract.

For the Financial Management and Compliance Indicators, the Charter School's performance on each indicator will be rated as follows:

- 4 - Above average performance
- 3 - Average performance
- 2 - Below average performance
- 1 - Poor performance

This Accountability Plan establishes the performance levels, listed below, which generate the ratings for each indicator. However, additional information or extenuating circumstances may lead the Board to rate an indicator higher or lower than when performance level criteria are strictly applied.

A. Pupil Performance

Standardized Tests

In the spring of each year, the Charter School shall participate fully in assessments required by the State of Illinois as well as any other assessments required by the district's performance policy during the administration period agreed upon by the Chicago Public Schools and the Charter School. Data from these assessments will be compiled and evaluated as described in the SQRP. If for any reason the Chicago Public Schools ceases to use any of the assessment systems described herein, the Board shall implement, for Charter School accountability purposes, the same alternate student assessment system and test measure criteria used for district's students.

Additional Student Performance Indicators and Data Required

Additional metrics may also be assessed per the SQRP, including the Charter School's attendance rate, freshman on track rate (for high schools), one-year dropout rate (for high schools), Advanced Placement ("AP") exam metrics (for high schools), International Baccalaureate ("IB") exam metrics (for high schools), early college credit (for high schools), career certifications (for high schools), graduation rate (for high schools), college enrollment and persistence (for high schools), and data quality. Additionally, all schools will be required to administer the My Voice, My School survey annually.

In general, schools will be required to submit all relevant data necessary to calculate the metrics outlined in the SQRP.

Adequate Yearly Progress

As required by the Federal No Child Left Behind Act ("NCLB"), Illinois has set annual Adequate Yearly Progress ("AYP") targets for student performance on the ISAT and PSAE assessments. Charter Schools failing to meet AYP targets may face sanctions under applicable State and Federal laws.

At the time of execution of this Agreement, the annual AYP targets for the ISAT and PSAE are anticipated to be as follows. In the event that the AYP targets are revised, the Charter School will be subject to the revised targets.

Year	2009	2010	2011	2012	2013	2014
Target	70%	77.5%	85%	85%	92.5%	100%

Comparison Metrics

The Charter School's academic performance shall be reviewed annually relative to the performance of other schools within CPS on metrics included in the SQRP and/or on assessments mandated and other metrics measured by the State of Illinois.

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B. Financial Management and Compliance

The following Financial Management and Compliance Categories will be included on and evaluated for each Performance Scorecard: Financial Condition and Budget, Financial Controls, Reporting, and Legal Compliance. The school will receive points for each indicator based on the rubric described below. Performance against each indicator will be reported on the Annual Performance Scorecard.

Financial Condition and Budget

This category measures the overall financial health of the school based on the change in net assets, liquidity, net asset ratio, cash-on-hand, loan delinquency, and the reasonableness of the budget. Points will be assigned for each indicator as follows:

Indicator	+4	+3	+2	+1
Change in Net Assets	Increase in net assets equal to or greater than budgeted surplus	Increase in net assets less than budgeted surplus or realizing a balanced budget	Decrease in net assets equal to or less than budgeted deficit	Unbudgeted decrease in net assets or decrease in net assets greater than budgeted deficit
Current Ratio	Current ratio is greater than or equal to 1.3	Current ratio is less than 1.3 but greater than or equal to 1.1	Current ratio is less than 1.1 but greater than or equal to 1.0	Current ratio is less than 1.0
Net Asset Ratio	Net assets are greater than or equal to 30% of total assets	Net assets are greater than or equal to 20% of total assets but less than 30%	Net assets are greater than or equal to 10% of total assets but less than 20%	Net assets are less than 10% of total assets
Cash-on-Hand	Cash/avg. monthly expenses greater than or equal to 3.0	Cash/avg. monthly expenses greater than or equal to 1.0 but less than 3.0	Cash/avg. monthly expenses greater than or equal to 0.75 but less than 1.0	Cash/avg. monthly expenses less than 0.75
Loan Delinquency	No late payments in last twelve months, or no outstanding debt	One late payment in last twelve months	Two or three late payments in last twelve months	More than three late payments in last twelve months

Indicator	+4	+3	+2	+1
Budget	Appears to be realistic budget w/ reasonable assumptions and revisions allowed through the end of October	Appears to be realistic budget w/ mostly reasonable assumptions and revisions allowed through the end of October	Appears to be realistic budget w/o assumptions and needs to be resubmitted	Appears to be unrealistic budget w/ unreasonable assumptions and needs to be resubmitted

The Board shall use the annual budget submitted pursuant to paragraph 6.b. of the Agreement and the annual Financial Audit, required under paragraph 6.a., along with any other relevant information as part of the Financial Condition and Budget Category.

Financial Controls

This category assesses the fiscal soundness of the financial system in place at each school, taking into consideration the auditor's independent review.

Indicator	+4	+3	+2	+1
Annual Audit	Unqualified opinion, no material weaknesses or significant deficiencies	Unqualified opinion; one significant deficiency noted, but school will address within 12 months	Unqualified opinion, with two noted significant deficiencies.	Unqualified opinion, with a noted material weakness or three or more significant deficiencies; or an audit with a qualified opinion

The following items, required by paragraph 6.a. of the Agreement, shall be evaluated and presented as part of the Financial Controls Category:

- i) the Charter School's audit report opinion on its financial statements; and
- ii) the Charter School's audit report on compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with Government Auditing Standards and the Single Audit Act of 1984, as amended.

Reporting

This category measures a school's timely submission of annual budgets, quarterly statements, audit reports, and other compliance documents required at the federal, state and local levels as outlined in the Office of Innovation and Incubation's compliance chart.

Indicator	+4	+3	+2	+1
Budget	Budget is submitted on a timely basis	Budget is submitted late one time but with prior notification to and acknowledgement by CPS	Budget is submitted with significant delay (45 days or more late) or submitted late without prior notification to and acknowledgement by CPS	Budget is submitted with significant delay (45 days or more late) for second year in a row, or not submitted at all
Quarterly Statements	Quarterly statements are submitted on a timely basis	Quarterly statements are submitted late one time	Quarterly statements are submitted late two times	Quarterly statements are submitted late three or more times, or not submitted at all
Audit	Audit is submitted on a timely basis	Audit is submitted with one delay but with prior notification to and acknowledgement by CPS	Audit is submitted with significant delay (45 days or more late) or submitted late without prior notification to and acknowledgement by CPS	Audit is submitted with significant delay (45 days or more late) for second year in a row, or not submitted at all
Fed/State/CPS Compliance Document Submissions	Timely submittal of all required documents	Late submittal of up to two required documents	Late submittal of three required documents	Late submittal of more than three required documents

Legal Compliance

This category measures legal compliance reflected and reported in the annual audit and detailed in any findings.

Indicator	+4	+3	+2	+1
Legal Compliance	Auditor report on compliance reflects no findings	Auditor report on compliance reflects one finding	Auditor report on compliance reflects two findings	Auditor report on compliance reflects three or more findings, and/or audit states that corrections have not been made for prior year finding(s)

The following items, required by paragraph 6.a.iii. of the Agreement shall be tested and reported upon annually by the Charter School's independent auditor and evaluated and presented as part of the Legal Compliance Indicator:

- i. Compliance with all Federal and State laws and constitutional provisions prohibiting discrimination on the basis of disability, race, creed, color, gender, national origin, religion, ancestry, marital status or need for special educational services pursuant to 105 ILCS 5/27A-4(a);
- ii. Compliance with the Freedom of Information Act and Open Meetings Act pursuant to 105 ILCS 5/27A-5(c);
- iii. Compliance with all applicable health and safety requirements applicable to public schools under the laws of the State of Illinois pursuant to 105 ILCS 5/27A-5(d);
- iv. Compliance with all enumerated State laws and regulations applicable to Charter Schools in accordance with 105 ILCS 5/27A-5(g); and
- v. Conformance with the following paragraphs of the Agreement:
 - a) Paragraph 4.d., an open enrollment process and lottery,
 - b) Paragraph 4.l., the school's governance structure,
 - c) Paragraph 5.c., maintenance of corporate status and good standing,
 - d) Paragraph 5.e., completion of criminal background checks,
 - e) Paragraph 5.g., the school's facility and ADA compliance,
 - f) Paragraph 6.j., compliance with applicable sections of the Illinois Pension Code,
 - g) Paragraph 6.k., ongoing presence of management and financial controls, and
 - h) Paragraph 8., maintenance of required insurance coverage.

In addition to the above items, the Board will also consider the Charter School's compliance with the Office of Innovation and Incubation's compliance chart and the teacher qualification requirements in accordance with both the Charter Schools Law (Section 27A-10) and the requirements for Highly Qualified teachers under the No Child Left Behind Act (if the Charter School receives Title I funding). Failure to comply with either the compliance chart or the teacher qualification requirements shall affect the rating on the Legal Compliance Indicator.

When determining how to classify a Financial Management and Compliance Indicator, the Board may consider information from various sources including, but not limited to, audits, site visits, and information provided by other CPS departments, parents, or employees. If the audit states that there were material weaknesses or significant deficiencies found, the Board may request from the Charter School the auditor's management letter and/or an opinion from a qualified, third-party professional regarding the importance of the finding. The Board shall also ask the Charter School to respond to the finding.

3. Charter School Participation in the Accountability Process

The Charter School shall take all necessary actions to collect and report the information required by this Accountability Plan for the Charter School overall and by each Attendance Center, if applicable, including, without limitation:

- A. Full participation in the administration of all required student assessments, as the case may be, including all procedures designed to safeguard the integrity of the assessments;
- B. Participation in site visits conducted by the Board to ascertain that sufficient, minimum educational, facility, and operational practices are in place;
- C. An annual financial and compliance audit, as required by law, including but not limited to, the Single Audit Act Amendments of 1996 (31 U.S.C. §7501-07), OMB Circular A-133, and the compliance requirements set forth in OMB Compliance Supplement, and by the Agreement;
- D. Provision of student, school, and employee information required by the Agreement and/or the Accountability Plan;
- E. Submission and implementation of ADA Plan(s) for the Attendance Center(s) required by the Agreement;
- F. Provision of information that is necessary to evaluate parent, student, employee, or public allegations or audit findings that, if true, would constitute a violation of the law or Agreement; and
- G. Provision of additional information or cooperation in other actions not listed in this section necessary to evaluate the Charter School's

performance with respect to the Financial Management and Compliance Categories.

4. Annual Performance Evaluation, Revocation and Renewal

The Board shall conduct an annual performance evaluation in which it holds the Charter School accountable in these Categories (Pupil Performance and Financial Management and Compliance) through the Indicators contained in this Accountability Plan. The Board shall give fair consideration to all Indicators for the current year in comparison to the previous years of the Charter School's history when conducting the annual performance evaluation and when acting to renew, not renew, or revoke the Charter School's charter.

The Board may act to revoke or to not renew a charter, in whole or as to any Attendance Center or campus, during the term of the Agreement in accordance with paragraphs 12 and 13 of this Agreement.

In all circumstances, the Board shall follow the requirements of the Charter Schools Law and its Agreement, including all due process requirements, regarding the processes required for revocation, renewal, and non-renewal.

When a charter is up for renewal, the charter's academic performance on the PRPP will be categorized as Meeting Standards, Making Reasonable Progress, or Failing to Meet Standards or Make Reasonable Progress.

Similarly, the Financial Management and Compliance indicators will be analyzed to determine if violations of the Charter Schools Law have occurred. So, to further strengthen the Board's financial accountability process, the Board has established baseline financial standards for Charter Schools which have been detailed below.

There are three types of financial Tier Infractions: Tier 1, Tier 2 and Tier 3. Tier 1 is the least severe infraction and Tier 3 is financial infraction tiers are as follows:

Tier 1 (Concern): These infractions generally relate to incidents that are fairly straightforward for a Charter School to correct and they are:

- Annual Budget is submitted with significant delay (45 days) or submitted late for the second time
- Quarterly financial statements are submitted late two or more times
- Annual Audit is submitted with significant delay (45 days) or submitted late for the second time
- Late submittal of three or more required documents (for second consecutive year)
- Two or more loan payments beyond 30 days late in a fiscal year

- Realistic budget without assumptions and needs resubmission OR unrealistic budget with unreasonable assumptions and needs resubmission
- Change in Net Assets (from the Annual Audit Report): Decrease in net assets less than or equal to budgeted deficit for a second consecutive year (a score of 2) OR unbudgeted decrease in net assets or decrease in net assets greater than budget (a score of 1)
- Auditor report on compliance reflects repeat finding(s) from prior year (a score of 1)

Tier 2 (Warning): These infractions could represent a significant risk to the Charter School's fiscal viability and they are:

- Financial Internal Controls Audit: Unqualified audit opinion with two noted significant deficiencies (a score of 2)
- Cash-on-Hand Ratio (calculated from the annual audit report): Ratio less than 1.0 (less than 1 month of cash-on-hand)
- Net Asset Ratio (calculated from the annual audit report): Net assets less than 20% of total assets
- Current Ratio (calculated from the annual audit report): Ratio less than 1.1.

Tier 3 (Deficiency): This infraction could present a real and immediate risk to the financial stability of the Charter School and is related to:

- Unqualified audit opinion with a noted material weakness or three or more significant deficiencies (a score of 1), or a qualified audit opinion

If a Tier 1 infraction is not resolved in the following fiscal year, it will be elevated to a Tier 2 infraction. If a Tier 2 infraction is not resolved in the following fiscal year, it will be elevated to a Tier 3 infraction.

If the Charter School commits a Tier 1 financial infraction three times in a row, a Tier 2 financial infraction two times in a row, or one Tier 3 financial infraction in any year of this Agreement, the Charter School may automatically receive a shortened renewal term when the charter is up for renewal.

For any Tier infraction, an infraction letter will be sent from the Office of Innovation and Incubation to the Charter School's Board Chair and management. For a Tier 3 Infraction the Charter School must submit a Corrective Action Plan to the Office of Innovation and Incubation. The plan should outline how and when the charter school's board will resolve the infraction.

If infractions are severe enough or the charter school did not successfully complete the Corrective Action Plan to resolve an infraction(s), the charter school may be subject to revocation.

EXHIBIT D

COMPREHENSIVE MANAGEMENT SERVICES CONTRACT REQUIREMENTS

In the event the Charter School intends to contract with a third party for comprehensive school management or operations services ("Service Contract"), all of the following requirements must be met by the Charter School:

1. Required Provisions of Bylaws. The bylaws of the Charter School shall provide that the Charter School may not enter into any contract for comprehensive school management or operations services ("Service Contract") without first submitting such Service Contract to the Board for review. The Charter School shall further incorporate within its bylaws, or duly establish pursuant to such bylaws, procedures for the termination of the Service Contract as provided herein.

2. Submission of Service Contract. The Service Contract shall be submitted to the Board no later than 30 days prior to its effective date. If the Board determines that the Service Contract does not comply with the provisions set forth in Section 3 of this Exhibit, or that the Charter School's entering into the Service Contract would otherwise be in violation of the conditions set forth in this Exhibit, the Charter School Agreement, or the Charter School Law, then the Board shall notify the Charter School within twenty (20) days, stating with particularity the grounds for its objections. In such event, the Charter School shall not enter into the Service Contract unless and until the deficiencies noted by the Board have been remedied to the Board's reasonable satisfaction.

3. Required Terms of Service Contract. The Service Contract shall include, without limitation, the following Required Terms:

i. The Service Contract shall be subject to, and shall incorporate by reference, the terms and conditions of the Charter School Agreement.

ii. The Service Contract shall clearly delineate the respective roles and responsibilities of the Service Provider and the Charter School in the management and operation of each school facility for which the Service Provider shall provide management or operations services. The Service Contract shall also include acceptable procedures by which the Service Provider may be held accountable to the Charter School.

iii. The Service Contract shall be terminable by the Charter School, in accordance with its bylaws or other established termination procedures, (a) upon default by the Service Provider, including without limitation any act or omission of the Service Provider that causes a default under the Charter School Agreement

or that causes the Charter School to be in violation of the Charter Schools Law, or (b) for other good cause as agreed by the Charter School and the Service Provider.

iv. The Service Contract shall require that the Service Provider furnish the Charter School with all information deemed necessary by the Charter School or the Board for the proper completion of the budget, quarterly reports, other financial reports, or Financial Audits, required under paragraph 6 of the Charter School Agreement.

v. The Service Contract shall provide that all financial reports provided or prepared by the Service Provider shall be presented in GAAP/FASB approved nonprofit format.

vi. The Service Contract shall provide that all employees or contractors of the Service Provider who have direct, regular contact with students of the Charter School shall be subject to the fingerprint-based criminal background investigations and checks of the Statewide Sex Offender Database and the Statewide Child Murderer and Violent Offender Against Youth Database requirement contained in Section 34-18.5 of the School Code to the same extent as employees of the Charter School.

vii. The Service Contract shall contain provisions requiring compliance with all requirements, terms and conditions established by any Federal or State funding source.

4. Financial Reporting.

a. Budget. The budget prepared by the Charter School pursuant to paragraph 6 of the Charter School Agreement shall include, without limitation, the following itemized information:

i. All revenue anticipated to be received from the Board under the Charter School Agreement.

ii. All expenses and anticipated expenses associated with the operation and management of the Charter School.

iii. All expenses associated with the operation of the governing board of the Charter School including, without limitation, personnel, occupancy and travel expenses, if any, and that are not paid out of expenses received from or through the Board, such expenses shall not be required to be separately itemized hereunder.

iv. All contract payments, lease payments, management fees, administrative fees, licensing fees, expenses and other amounts paid to the Service Provider or otherwise paid for the Contract Services by the Charter School.

v. All loan repayments for any loans made to the Charter School by the Service Provider, including separate line items for interest, principal and premium, if any, on such loan repayments.

vi. All investments in the Charter School by the Service Provider, including the expected returns on equity for such investments.

b. Quarterly Financial Statements. In the event that quarterly financial statements are required to be furnished by the Charter School pursuant to paragraph 6 of the Charter School Agreement, such financial statements shall reflect the entire school's financial operations, including an itemized accounting of all amounts paid to the Service Provider or otherwise paid for the Contract Services, which amounts shall be itemized in a manner that clearly corresponds with those categories provided in the Charter School's annual budget or the Service Contract.

c. Annual Audit. The Financial Audits required under paragraph 6 of the Charter School Agreement shall include review of all fees and payments made by the Charter School to the Service Provider.

d. Reporting of Loans and Investments. All loans to, or investments in, the Charter School by the Service Provider must be evidenced by appropriate documentation, either in the contract between the Charter School and the Service Provider, or through separate agreements. In the case of investments, such documentation shall explain how the investment shall be treated on the books of the Charter School and shall clearly state the Service Provider's expected return on equity.

Nothing in this paragraph 4 shall be construed to waive or otherwise limit the obligation of the Charter School to provide information otherwise required to be reported by the Charter School under the Charter Schools Law or the Charter School Agreement.