

## **COMPREHENSIVE EDUCATIONAL SERVICES AND PERFORMANCE AGREEMENT (EXCEL ACADEMY OF WOODLAWN)**

THIS COMPREHENSIVE EDUCATIONAL SERVICES AND PERFORMANCE AGREEMENT (this "Agreement") dated this 1st day of July, 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 Camelot Alt Ed-Illinois, LLC, an Illinois limited liability company (the "Contract School").

### **RECITALS**

WHEREAS, pursuant to the Illinois School Code, 105 ILCS 5/34-1, *et seq.*, as amended (the "School Code") the Board has been created as a body politic and corporate having as its primary purpose the transmission of knowledge and culture through which children learn in areas necessary to their continuing development; and

WHEREAS, to implement its primary purpose the Board has decided to enhance educational quality and opportunities for Chicago students, families and educators by establishing a variety of public schools guided by high, rigorous standards for academic performance that are expressly stated in binding performance agreements or Board approved plans; and

WHEREAS, pursuant to the School Code, particularly Section 105 ILCS 5/34-18 (30), the Board is empowered to contract with third parties for services otherwise performed by Board personnel; and

WHEREAS, on March 18, 2013, the Contract School submitted to the Board a proposal (the "Proposal") to operate the Contract School as a Chicago Public School in furtherance of the Board's initiatives, excerpts of which Proposal was approved and accepted by the Board on May 28, 2014; and

WHEREAS, in furtherance of the Board's initiatives, the Board desires to implement its policies through agreements with third parties, including contract schools (as defined in the School Code), which are Chicago Public Schools operated independently by for-profit or not-for-profit educational service organizations such as the Contract School, pursuant to the terms of performance agreements such as this Agreement.

**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 Board and the Contract School 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. Scope of Services. The Board and Contract School hereby agree that the Contract School will provide educational services and operate the Contract School as a Chicago Public School, subject to the terms and provisions set forth in the Proposal accepted by the Board and as more fully set forth in the Scope of Services attached hereto as **Exhibit A** (the "Scope of Services"), all pursuant to and in accordance with the terms and conditions of this Agreement.

3. Term of Agreement. This Agreement shall have an initial term of not to exceed five (5) years, commencing on the Effective Date and expiring at midnight, June 30, 2019 ("Term"), unless terminated or extended pursuant to the terms hereof.

4. Educational Program. The Contract School shall conduct the educational program and program of instruction that it has designed and submitted to the Board to serve the educational needs of the students enrolled therein.

a. Name of School. The name of the school will be known as the "Excel Academy of Woodlawn".

b. Mission Statement. The Contract School shall operate under the Mission Statement set forth in the Scope of Services, and such mission statement is hereby accepted to the extent that it is consistent with the declared purposes of the Board and all applicable Board policies and rules as further defined in this Agreement. The Mission Statement shall be secular in nature.

c. Age, Grade Range. The Contract School shall provide instruction to pupils in grades as set forth in the Scope of Services.

d. Enrollment. Enrollment in the Contract School shall be open to pupils who reside within the City of Chicago and who are selected in accordance with the attendance plan for the Contract School as approved by the Board.

e. Student Transfers. Any student transfer out of the Contract School shall be governed by the Board's applicable Policies and Rules.

f. Goals, Objectives, Pupil Performance Standards. The Contract School shall pursue and make reasonable progress toward the achievement of the goals, objectives and pupil performance standards consistent with those set forth in the Scope of Services and 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 the School Code.

g. Evaluation of Pupils. The Contract 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 Contract School falls below

those standards, shall be consistent with the Scope of Services and all applicable Board rules and policies.

h. Curriculum. The curriculum established by the Contract School shall be consistent with the curriculum requirements of the Board and as otherwise modified or supplemented in the Scope of Services. No sectarian educational resources shall be used and the curriculum shall be secular in nature. The Contract School shall notify the Board of any material change in its curriculum subsequent to the date of this Agreement. Any material changes must comply with state law and be approved by the Chief Executive Officer of the Board or his designee, in writing, prior to the implementation of any such change.

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 Contract School. The days and hours of operation of the Contract School shall be as set forth in the Scope of Services. However, at a minimum, the Contract School must be in session for the same number of days and minutes of instruction per day as required by state law.

j. Discipline. The Contract School agrees it will implement the Chicago Public Schools Student Code of Conduct (Board Report 14-0625-PO1), as may be amended from time to time (the "SCC") effective at the beginning of any academic year.

k. Governance and Operation of Contract School. The Contract School has been formed in accordance with the Illinois Limited Liability Company Act, as may be amended from time to time, and stated in its Articles of Organization that it is not affiliated with any religious institution nor is the stated purpose of the company to promote sectarian teachings.

l. Advisory Council. In accordance with 105 ILCS 5/34-2.4b, the Contract School will cooperate with the Board to form an advisory council comprised of parents, community members and school staff. Such advisory council may advise the Contract School in matters pertaining to the operation of the Contract School as a Chicago Public School consistent with the Scope of Services, all Board Policies and Rules, and all other requirements of state law.

m. Pupil Transportation. The Board acknowledges and agrees that it shall meet the transportation needs of any student with disabilities enrolled in the Contract School if such needs are required by the student's Individualized Education Program ("IEP"). Otherwise, the Contract School shall meet the transportation needs of any other students at the Contract School in the manner as set forth in the Scope of Services.

n. Bilingual Education. The Contract School is subject to all Board rules, policies and consent decrees regarding bilingual education services and is

required to provide services to its students pursuant to those rules, policies and consent decrees. In addition, the Contract School is required to provide any additional bilingual education services identified in the Scope of Services.

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

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

a. Compliance with Laws, Regulations and Board Policies. The Contract School shall operate at all times in accordance with all applicable federal and state laws and constitutional provisions prohibiting discrimination on the basis of race, color, ancestry, religion, sex, sexual orientation, age, disability, marital status, parental status, military discharge status, national origin, housing status or need for special educational services. The Contract School will not partake in activities or events which foster the establishment of religion contrary to the First Amendment of the Constitution of the United States nor which create excessive entanglement with religious institutions. Board policies and rules adopted after the Effective Date of this Agreement shall be deemed to apply to the Contract School unless application is expressly waived by the Board.

b. Compliance with Agreement. The Contract School shall operate at all times in accordance with the terms of this Agreement, including the Accountability Plan and all other Exhibits attached hereto.

c. Maintenance of Corporate Status and Good Standing. The Contract School shall at all times maintain itself as an Illinois limited liability company capable of exercising the functions of the Contract 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 Contract School shall provide the Board with certified copies of its Articles of Organization, a Certificate of Organization evidencing its organization as a limited liability company, its bylaws, and all amendments or modifications thereto.

d. Personnel. The relationship between the Contract 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 Scope of Services and this Agreement, provided that the Contract School shall comply with all federal and Illinois employment laws and regulations.

No later September 1 (first semester) and February 1 (second semester) of each year during the Term of this Agreement, the Contract 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 Contract 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: (i) 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 subparagraph 5.e. of this Agreement; and (ii) for each individual employed in an instructional position, evidence of certification. For any person hired in an instructional position after February 1 of any school year, the Contract School shall provide the Board with such evidence of the criminal background investigation and 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 Contract 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 CPS 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 Contract School understands and agrees that it shall not allow any of its employees, agents or subcontractors to have direct, regular contact with a CPS

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 Contract 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 School Code, 105 ILCS 5/21-1 *et seq.* All individuals in instructional positions certificated under Title IX of the School Code must be "Highly Qualified" in accordance with the No Child Left Behind legislation. For purposes of this subparagraph, "instructional positions" means all those positions involving duties and responsibilities which, if otherwise undertaken in the Chicago Public Schools, would require teacher certification.

g. Facility; Change in Location; Compliance with Disability Laws and Regulations; ADA Plan.

i. The Contract School shall be located at 7530 S. South Shore Drive, Chicago, Illinois (the "Attendance Center") for the 2014-2015 school year only. Notwithstanding the fact that the Contract School shall be located in a Board facility, the Contract 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 Contract School may change the physical location of its Attendance Center, provided that the Contract 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 Contract 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. The Office of Innovation and Incubation ("I&I") shall notify the Contract 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 Contract School requires the prior approval of the Board to be in full force and effect.

iii. Compliance with Disability Access Laws and Regulations. The Contract School shall ensure that its facility and operations comply with: (1) all applicable provisions of Federal, State and local disability access laws including, without limitation, 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.

iv. ADA Plan. The Contract School shall submit a facility plan for the Attendance Center which shall comply 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 12 herein, and the Board shall consider such non-compliance a factor in determining whether to renew or terminate the Agreement.

h. Homeless Children. The Contract 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 Contract School agrees that one goal of this Agreement is to ensure that all homeless children who attend the Contract School receive the same services provided by the Chicago Public Schools to homeless children in its students in temporary living situations program and the Contract School agrees that it will provide services to homeless children at the same level that Chicago Public Schools provide those services. The Contract 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 Contract 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 Contract School shall ensure that no member of the Salazar class is deprived of his or her rights under the Settlement Agreement and the Contract School shall not interfere with the Board's performance of its obligations under the Settlement Agreement.

i. Conflict of Interest. The Contract 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 Contract School's performance and obligations under this Agreement. The Contract 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, 2014, and thereafter no later than

July 1 of each subsequent year, the Contract 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 Contract 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 Contract 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 Contract School. By December 1, 2014, and thereafter no later than July 1 of each subsequent year, the Contract 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 Contract 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 Contract 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 Contract 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 Contract School or any lower tier participant is unable to certify to this statement, it must attach an explanation to the Agreement.

The Contract 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 Contract School.

a. Annual Audits. At fiscal year end, the Contract School shall prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). During the fiscal year, the Contract School shall operate in accordance with GAAP, the accrual basis of accounting, or any other basis of accounting, provided that the Contract School's accounting methods allow it to prepare reports required by the Board, the Illinois State Board of Education ("State Board"), and any other grantors. The Contract 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 Contract 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 February 1 of each year during the Term of this Agreement, beginning with February 1, 2016.

b. Financial Reports. The Contract 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 Contract School within ten (10) business days of the Board's request. Also the Contract School shall prepare and provide to the Board an annual budget (July 1 – June 30) 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. Once submitted, if the Contract School needs to revise its annual budget, the Contract School must submit the revised annual budget to the Board no later than October 31. The fiscal year for the Contract School shall begin on October 1 of each year and end on September 30 of the subsequent year.

c. Distribution of Funds. Except as illustrated below for the 2014-2015 fiscal year, the Board shall distribute the Contract School Funds, as determined in paragraph 6.d.ii, 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 Contract School from the Board under this Agreement shall be used in support and furtherance of the primary purpose of educational quality and opportunities to directly benefit the students at the Contract School.

d. Funding Procedure. The Board shall calculate the per capita tuition payment for each pupil enrolled at the Contract 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 to the Contract School for each pupil enrolled at the Contract School as set forth below. The Contract

School acknowledges and agrees that the funding amounts provided to the Contract 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. The Contract School shall be paid as follows for the first year (2014-2015) of the Term of this Agreement:

A. First Installment (July 22). The amount of the Board's first payment shall be based initially on a pre-enrollment projection for the number of students enrolled in the Contract 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 Contract 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 payment. It is understood and agreed that the first installment for this 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.

B. Second Installment (April 15). The amount of the Board's second payment shall be based on the average of the number of students enrolled at the Contract School on the twentieth day of the first semester, as verified by attendance records, and the number of students enrolled at the Contract School on the thirteenth day of February 2015, as verified by attendance records, multiplied by one-half the per capita tuition amount, less the amount paid to the Contract School in the first installment hereinabove in paragraph 6.d.i.A. In addition, the Contract School shall receive one-half of the per capita tuition amount based on the number of students enrolled at the Contract School on the thirteenth day of February 2015.

C. Negative Value (if applicable). Any payments provided to the Contract 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 Contract School.

ii. The Contract School shall be paid as follows for all remaining years of the Term of this Agreement:

A. 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 Contract 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 Contract 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.

B. 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 Contract School on an enrollment date for the first semester as determined by the Board which shall be provided to the Contract 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.

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

D. 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 Contract School on an enrollment date for the second semester as determined by the Board which shall be provided to the Contract 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.

E. Negative Value (if applicable). Any quarterly payments provided to the Contract 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 Contract School.

e. School-Based Allocations for Supplemental General State Aid and

Federal Title I Funds. The Contract School shall furnish the Board with eligibility data regarding Supplemental General State Aid ("SGSA") and Title I eligible students enrolled in the Contract School by a date determined by the Board. SGSA revenues to which the Contract School is entitled shall be distributed to the Contract School quarterly on the dates set forth in paragraph 6.d.ii 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 Contract School was entitled during such payment period. Title I funding to the Contract 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 Contract 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 Contract 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 Contract School's provision of educational services, any Title I or other Federal funding for which these students qualify shall be provided to the Contract 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 Contract School is conditional upon the amount of governmental funding available, and the Contract 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 Contract School and the Board prior to funding the relevant programs unless modifications are required by the governmental funding agencies.

**Notwithstanding anything to the contrary in this paragraph 6.e., the Contract School acknowledges and agrees that it shall not receive any SGSA or Title I Funds for any of its students enrolled in the Contract School for the first year of this Term due to its failure to receive sufficient student eligibility data on the twentieth (20<sup>th</sup>) day of CPS' first semester as a result of the late opening of the Contract School.**

f. Other Sources of Funds for Contract School. If the Contract School satisfies the funding criteria, and subject to funding availability, the Contract 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 Contract School receiving Federal categorical funding must comply with all federal regulations tied to such funds. The availability of federal grant funds is dependent upon the Contract 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 terminated early, any per pupil funds for services not rendered shall be subject to recapture by the Board. In addition, if the Contract School does not expend or obligate all federal or state grant funds prior to the end of the respective grant period, the Board may recapture such unspent federal or state grant funds ("carryover funds") from the Contract School where necessary. In addition, if the Board determines that federal or state grant funds provided to the Contract School were not used or expended for the specific purpose for which they were intended, the Contract School shall promptly reimburse such federal or state grant funds to the Board within thirty (30) days of receipt of written notice from the Board.

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

i. Outside Funding. The Contract School may accept gifts, donations or grants pursuant to 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 Contract 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. The Contract School shall keep separate accounting records of all gifts, grants and donations. Any such gifts, grants and donations made directly to the Contract School shall be separately accounted for and shall be used in accordance with the terms of such gifts, grants or donations. Any gifts, grants or donations made directly to the Contract School for general application at the Contract School or for the students shall be expended in the Contract School in consultation with the Board and will be accounted for separately.

j. Deductions for Facility Expenses. If the Contract School is located in a Board facility, the Board may offer to provide the Contract School with certain facility services including building maintenance, technology services, utilities, and safety and security ("Facility Services"). A Contract School located in a Board facility and utilizing the Facility Services will have such charges deducted from the payments issued by the Board and such services and charges may be adjusted on an annual basis.

k. Management and Financial Controls. At all times, the Contract 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 Contract School shall maintain accurate enrollment data and daily records of student attendance. The Contract School shall provide the Board with current enrollment and attendance data, including IEP and English Language Learner ("ELL") data, via the Board's IMPACT System (the "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 Contract School (or on any other time-frame basis consistent with district-level reporting). The Board shall provide the Contract School with the necessary IMPACT System access, software and training to allow Contract School personnel to use the Board's IMPACT System and input enrollment/attendance data.

m. 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 Contract School in the event that the Contract 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 Contract School and the period of time during which the Contract School shall have the opportunity to cure such material violation(s). Upon the Contract School's cure of any such material violation(s), the Board shall immediately release any and all payments of funds due the Contract School.

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

8. Insurance. The Contract School shall, at its own expense, purchase and maintain insurance covering all of its operations, whether performed by the Contract School or by subcontractors. Such insurance shall include the types of insurance set forth in **Exhibit B** (Insurance Requirements) 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 Contract 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 Contract 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 Contract School in discussions regarding the proposed changes to the Accountability Plan in advance of the May 1 date. However, in the event the Contract School determines that it does not want to be evaluated and measured against any such revised Accountability Plan, the Contract 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 Contract 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 School Code. The Contract 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 Contract 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 Contract 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 Contract School pursuant to Board policies, rules and the attached Accountability Plan. Where possible, the

Board shall provide the Contract School with at least twenty-four (24) hours prior notice of such site visits.

10. Special Education and Supports.

a. The Contract 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 as being applicable to public schools. In addition, the Contract 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 Contract School shall hire its own special education teachers and paraprofessionals to provide special education services to the Contract School's students with disabilities. The Board shall reimburse the Contract 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 Contract 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 Contract School will hire its own related service providers to provide special education and 504 services to the Contract School's students with disabilities. The Board shall reimburse the Contract 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 Contract 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 Contract School may apply for a waiver of that requirement at such time. The CEO or her designee shall review the Contract School's waiver application and make a determination whether to approve or reject the waiver request. If approved, the CEO or her designee, as a last resort, shall assign the necessary staff of related service providers to the Contract 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 Contract School, subject to paragraph 12 herein, and the Board shall consider such non-compliance a factor in determining whether to renew or terminate the Agreement.

d. Staff Requirements. In accordance with the Board's budgetary process, the Contract 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 Contract 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 Contract School's students. All special education teachers, paraprofessionals and related service providers employed by the Contract School shall have the requisite qualifications, Illinois certificates and/or licenses. All special education teachers, paraprofessionals and related service providers employed by the Contract School must attend at least four (4) professional development training sessions on an annual basis. The Board shall notify the Contract School of the available dates, locations, times and topics for the professional development training sessions through several communication channels.

e. Case Manager. The Contract School shall appoint one of its special education personnel as a qualified case manager. The Board shall provide the Contract 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 Contract 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.

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 Contract 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. Renewal of Agreement; Failure to Renew. No later than January 1, 2019, and no earlier than September 1, 2018, but in no event later than the date set by I&I, the Contract School shall provide a written proposal to the Board setting forth proposed terms of renewal of this Agreement. The renewal proposal of the Contract School shall contain the most recent audit report and financial statement of the Contract School. The written proposal may contain proposed changes to this Agreement that the Contract School desires to incorporate into the renewed agreement. The Board shall provide written notice to the Contract School indicating whether, and upon what conditions, it is willing to renew this Agreement, including any modified terms proposed by the Board.

12. Termination of Agreement. The Board may terminate this Agreement if the Contract School did any of the following, or otherwise fails to comply with the covenants, warranties or other requirements of this Agreement:

a. Committed a violation of any of the conditions, standards, obligations or procedures set forth in this Agreement including the Exhibits attached hereto; or

b. Breached any covenant or warranty contained herein or it is proven that any representation contained herein is untrue; or

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

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

e. Violated any provision of law or policy to which the Contract School is subject; or

f. Met criteria for closing (for academic or non-academic reasons) in accordance with State law and any guidelines issued by the Chief Executive Officer of the Board.

In addition, this Agreement may be terminated by mutual consent of the parties pursuant to paragraph 22 of this Agreement.

In the event that the Board proposes to terminate this Agreement, the Board shall provide the Contract School with written notice setting forth in detail the grounds for such termination at least fourteen (14) days prior to the date the Board takes final action on such termination.

### 13. Indemnification.

a. To the fullest extent permitted by law, the Contract 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 Contract School by its faculty, students, patrons, employees, guests or agents, (ii) any act or omission to act, whether negligent, willful, wrongful or otherwise by the Contract School, its faculty, students, patrons, employees, guests or agents, (iii) a violation of any law, statute, code, ordinance or regulation by the Contract School, its faculty, students, patrons, employees, subcontractors, guests or agents, and/or (iv) any breach, default, violation or nonperformance by the Contract 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 Contract School is subject to taxes under Section 4980H of the Internal Revenue Code (pertaining to the Patient Protection and Affordable Care Act), the Contract 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 Contract School's faculty, employees or agents under this Agreement, the Contract 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 Indemnatee or from any act or omission of the Contract School required by law or this Agreement.

b. To the fullest extent permitted by law, the Board shall indemnify, defend and hold harmless the Contract School, any successor entity thereto, and their respective members, officers, employees, agents, affiliates and

representatives, past and present (collectively, the "Contract 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, agents, officers or employees, 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 Contract 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.

14. Disclaimer of Liability. The parties expressly acknowledge that the Contract 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 Contract School, its directors, trustees, agents, subcontractors or employees; (2) the use and occupancy of the building or buildings occupied by the Contract School, or any matter in connection with the condition of such building or buildings; or (3) any debt or contractual obligation incurred by the Contract School. The Contract 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.

15. Comprehensive Educational Services or School Operations Contracts. No entity or party other than the Contract School may provide comprehensive educational services or operate the Contract School except as expressly provided herein or upon the prior written approval of the Board with all requirements imposed by the Board.

16. Winding Down Procedures Upon Non-Renewal or Termination for Any Reason. If the Board does not renew this Agreement or terminates this Agreement for any reason, the Contract School shall follow the procedures set forth below:

a. The Contract School shall be responsible for winding down the operations of the Contract School, including payment of any and all debts, loans, liabilities (contingent or otherwise) and obligations incurred at any time by the Contract School in connection with the operation of the Contract 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 Contract 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 Contract 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. 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.

20. Entire Agreement; Amendments. This Agreement, including all Exhibits and referenced documents, constitutes the entire agreement of the parties hereto with respect to the matters contained herein and therein. No modification of or amendment to this Agreement is effective unless in writing and executed by each party to this Agreement.

21. Assignment. This Agreement shall be binding on the parties and their respective successors and assigns; provided, however, that neither party may assign this Agreement nor any obligations imposed hereunder without the prior written consent of the other party. The Contract School shall not subcontract any obligation hereunder to any third person/party without the prior written consent of the Board.

22. Termination by Consent of Parties. This Agreement may be terminated prior to its expiration by the mutual consent of the parties or termination of this Agreement pursuant to paragraph 12 hereof.

23. 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 (3) business days of being sent by registered or certified mail, postage prepaid, to the parties at the following addresses:

If to the Contract School: Camelot Alt Ed-Illinois, LLC  
7500 Rialto Boulevard  
Building 1, Suite 260  
Austin, Texas 78735  
Attn: Joseph B. Carter III, Chief Operating Officer  
Facsimile: (512) 858-9901

If to the Board: Chicago Board of Education  
Office of Innovation and Incubation  
125 South Clark Street, 10<sup>th</sup> 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, 7<sup>th</sup> Floor  
Chicago, Illinois 60603  
Attn: James L. Bebley, General Counsel  
Facsimile: (773) 553-1701

24. Audit and Document Retention. The Contract School shall maintain records showing time expended and costs incurred in operating the Contract School. All records referenced above and all records required to be maintained as part of operating the Contract 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 Contract 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 Contract School.

25. Severability. In the event that any provision of this Agreement or the Proposal 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 Proposal 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.

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

27. 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 termination of this Agreement may be made only by the Chicago Board of Education.

28. Prior Actions. It is expressly agreed and understood that as a condition precedent to this Agreement becoming effective on the Effective Date hereof, the Contract 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.

29. 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.

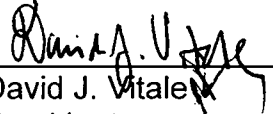
30. Incorporation of Exhibits. All exhibits referenced herein are hereby incorporated into and made a part of this Agreement.

31. Reservation of Rights and Obligations under Law. Nothing in this Agreement shall be read to limit the Board's rights and obligations under applicable law.


[Rest of page left intentionally blank.]

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  
President

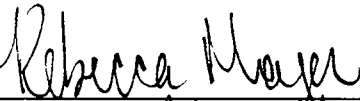
**CAMELOT ALT ED-ILLINOIS, LLC**

By:   
Name: Chris Friedrich  
Title: CFO


ATTEST:

By:  2/24/15  
Estela G. Beltran  
Secretary

ATTEST:

By:   
Name: Rebecca Moyer  
Title: Executive Assistant

Board Report: 14-0528-EX14  
14-0924-EX3  
15-0128-AR2-27

Approved as to legal form: 

  
James L. Bebley, General Counsel

Attachments:

Exhibit A – Scope of Services  
Exhibit B – Insurance Requirements  
Exhibit C – Accountability Plan



## EXHIBIT A

### SCOPE OF SERVICES

This **Exhibit A**, Scope of Services, is attached to that certain Comprehensive Educational Services and Performance Agreement dated as of July 1, 2014, by and between the Board of Education of the City of Chicago, a body politic and corporate (the "Board") and Camelot Alt Ed-Illinois, LLC, an Illinois limited liability company (the "Contract School"), which together with this **Exhibit A** and the other Exhibits attached thereto is referred to as the "Agreement". All capitalized terms used in this Exhibit have the meanings ascribed thereto in the body of the Agreement unless otherwise defined herein or unless the context clearly indicates another meaning.

#### I. GENERAL

##### Terms and Conditions of Proposal

The Contract School has submitted to the Board and the Board has accepted that certain Proposal (the "Proposal") dated as of March 18, 2013, portions of which Proposal is hereby incorporated by reference into and made a part of this Agreement as if fully set forth herein. The Proposal sets forth the overall goals, standards and general operational policies of the Contract School. The Contract School acknowledges and agrees that its Proposal is an integral part of this Agreement, except to the extent that this Agreement is contrary to the Proposal, and the Board shall have the right to hold the Contract School responsible for all information, representations and statements contained in the Proposal, except to the extent that such representations and/or statements are directly contrary to anything contained in this Agreement. The Proposal, however, is not a complete statement of each detail of the Contract School's operation. The Contract School agrees to operate in accordance with all requirements and restrictions of the Board as a City of Chicago public school. To the extent the Contract School desires to implement specific policies, procedures, or other specific terms of operation that supplement or otherwise differ from those set forth in the Proposal or as directed by the Board, the Contract School shall not implement such policies, procedures or specific terms of operation, unless such policies, procedures or terms of operation are consistent with all applicable laws and regulations, Board policies and rules or unless specifically waived by the Board in writing.

#### II. EDUCATIONAL PROGRAM

##### A. Mission Statement

The Contract School's accelerated school mission is to serve students that have dropped out of school or that are at-risk of dropping out of school, with a data-

driven, accountable and high standards education program that provides a realistic pathway to graduate with a high school degree and offers multiple pathways for enrollment into postsecondary educational, training, certification, and apprenticeship programs.

**B. Student Population**

Age, Grade Range. The Contract School shall provide instruction to pupils in grades 9 through 12, not to exceed 250 students during the Term of this Agreement.

**C. Bilingual Education**

The Contract School will provide any additional bilingual education services in accordance with this Agreement, Board policies, and federal and state laws.

**D. Special Education and Supports**

The Contract School will provide any additional specialized services identified in the Proposal, the Agreement and further described below:

1. All students will have access to the general education curriculum. All students will take core courses with the same title. The program of study is the same for all students and will use targeted instruction, experiential learning, and differentiated instruction.
2. If a student has an IEP that requires educational services outside of the general education classroom, the Contract School will establish a classroom or space to accommodate the student.
3. In accordance with paragraph 10.e of this Agreement, the Contract School shall appoint one of its special education personnel as a qualified case manager. The case manager will be responsible for the following: coordinating referrals, ensuring parent notification for all evaluations and meetings, convening and chairing IEP conferences, coordinating related services with the Board's Office of Diverse Learner Supports and Services ("ODLSS"), ensuring that all appropriate staff have copies of the relevant parts of the students' IEPs, and entering student data into the IMPACT System.
4. If extended year program services are needed for a student with disabilities, the Contract School will coordinate with ODLSS to provide such services.

#### E. Homeless Students

The Contract School will provide any additional services to homeless students as identified in the Proposal, the Agreement and as further described below:

The Contract School will ensure that for each student identified as homeless, the following measures will be taken:

1. Student will be immediately enrolled in the school;
2. All school fees are waived;
3. The Contract School will supply the family with a uniform and uniform shoes, if needed;
4. The Board and the Contract School will work together to determine if Chicago Transit Authority cards or hardship transportation is appropriate for the family;
5. The Contract School will work cooperatively with the family and appropriate social service agencies to ensure that the student's academic program is not disrupted, including working with the family to allow the student to participate in extracurricular and special activities; and
6. Social work services will be made available to the family if appropriate.

#### III. Faculty and Administration

##### Principal qualifications, selection and removal

The Contract School's governing board retains the right to select, evaluate and terminate the Contract School's principal pursuant to the terms of the Contract School's performance agreement with the principal. Each such agreement shall state how a principal shall be held accountable to the Contract School for the performance of the Contract School. Any principal hired by the Contract School shall be offered a performance contract with the Contract School that includes provisions regarding the due process protections to be afforded to principals and the procedures for termination, which shall meet the minimum standards as specified by the Board. The performance agreement shall also include any performance criteria or goals negotiated between the Contract School and principal. The Contract School's principal must meet applicable Illinois state certification requirements.

#### IV. APPLICABLE LAW AND COMPLIANCE REQUIREMENTS

The Contract School shall comply with all applicable federal, state, and local requirements related to special education, bilingual education, homeless education, principal and teacher evaluations, civil rights and discrimination, health and safety, and fire, safety and building codes.

The Contract School shall comply with applicable Board policies including those noted below unless the Board approves an exemption or an alternative policy. The Board policies and rules are available at [http://www.cps.edu/About CPS/Policies and guidelines/Pages/Policiesandguidelines.aspx](http://www.cps.edu/About%20CPS/Policies%20and%20guidelines/Pages/Policiesandguidelines.aspx)

1. Promotion Policy. The Contract School shall comply with the Board promotion policies, 04-0128-PO1 and 09-1028-PO2, as amended.
2. Graduation Requirements. The Contract School shall comply with the Board graduation requirement policy, 06-0628-PO2, as amended, regarding the minimum number of credits required to graduate.
3. Assessments. The Contract School shall comply with and participate in all state assessments that are necessary to participate in the accountability system for all Chicago Public Schools. The Contract School may create unique learning standards and assessments consistent with its individual mission and the Agreement.
4. Student Identification. The Contract School shall participate in applicable CPS IMPACT System, or any other system as may be subsequently implemented by the Board.
5. School Quality Rating Policy. The Contract School shall comply with the Board school quality rating policy, 13-0828-PO5, as amended.
6. Middle Grades Specialization Policy. The Contract School shall comply with the Board middle grade specialization policy, 11-0525-PO1, as amended.
7. Student Travel Policy. The Contract School shall comply with the Board student travel policy, 10-0526-PO1, as amended.

The Contract School shall comply with all applicable orders and decrees issued by federal and state courts, including desegregation orders, orders regarding special, homeless and bilingual education and compliance agreements or other agreements between the Board and the United States Department of Education or other federal or state agencies.

## EXHIBIT B

### INSURANCE REQUIREMENTS

1. **Insurance:** The Contract School, at its own expense, shall procure and maintain insurance covering all operations under the Agreement, whether performed by the Contract 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 Contract 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 (\$10,000,000.00) 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 Contract 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 Contract 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. **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 Contract 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.
- g. **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 the Contract 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.
- h. **Construction:** The Contract 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 Contract 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 Contract School's contractors are subject to the same requirements as the Contract School in regards to additional insured, rating, notice, etc.

2. **Additional Insured.** The Contract 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 Contract 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 Contract 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, 10<sup>th</sup> 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 Contract 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 Contract School's failure to carry or document required insurance shall constitute a breach of the Contract 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 Contract School. Any insurance or self-insurance programs maintained by the Board do not contribute with insurance provided by the Contract School under the Agreement.

All subcontractors are subject to the same insurance requirements of the Contract School unless otherwise specified in this Agreement. The Contract 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 Contract School shall provide coverage for subcontractors. The Contract School will maintain a file of subcontractors' insurance certificates evidencing compliance with these requirements.

The coverages and limits furnished by the Contract School in no way limit the Contract 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 Contract School agrees that insurers waive their rights of subrogation against the Board.

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## **EXHIBIT C**

### **ACCOUNTABILITY PLAN**

The Board and the Contract School have determined that it is in the best interests of the Board, the Contract School, students, parents and the public to articulate clear standards for the Contract School. The governing board of the Contract School shall be responsible for overseeing the academic performance of the Contract School and ensuring the academic success of the Contract School's students. Additionally, the governing board of the Contract School is responsible for ensuring that the Contract School's financial management and compliance meets the minimum acceptable standards. The governing board of the Contract 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 Contract School with respect to those standards, based on data collected during the prior school year.

#### **1. Accountability Components**

The Board and the Contract School hereby agree that the Contract 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 option 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 Contract School's performance 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 Contract 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 Option School Performance Indicators in the SQRP, the Board will assign Contract Schools an accountability designation for purposes of comparison to other option CPS schools and public reporting. The accountability designation of the Contract School's performance will be determined by a set of indicators measuring, among other things, student academic growth, attendance, and progress toward graduation.

For the Financial Management and Compliance Indicators, the Contract 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***

The Contract School shall participate fully in assessments required by the State of Illinois as well as any other assessments required by the district's SQRP during the administration period agreed upon by the Chicago Public Schools and the Contract 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 Contract 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, including the Contract School's attendance rate, one-year dropout rate (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. Contract 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 Contract 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 Contract School's academic performance shall be reviewed annually relative to the performance of other option 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 Contract School's audit report opinion on its financial statements; and
- ii) the Contract 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 acknowledgment by CPS	Budget is submitted with significant delay (45 days or more late) or submitted late without prior notification to and acknowledgment 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 acknowledgment by CPS	Audit is submitted with significant delay (45 days or more late) or submitted late without prior notification to and acknowledgment 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	Timely submittal of all required documents	Late submittal of up to two required	Late submittal of three	Late submittal of more than

Submissions		documents	required documents	three required documents
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### *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 Contract 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, ancestry, religion, sex, sexual orientation, age, disability, marital status, parental status, military discharge status, national origin, housing status or need for special educational services;
- ii) Compliance with all applicable health and safety requirements applicable to public schools under the laws of the State of Illinois;
- iii) Compliance with all laws and regulations in accordance with the Illinois School Code and Illinois Administrative Code; and
- iv) Conformance with the following paragraphs of the Agreement:
  - a) Paragraph 4.d., an open enrollment process,
  - b) Paragraph 4.k., 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.k., ongoing presence of management and financial controls, and
  - g) Paragraph 8., maintenance of required insurance coverage.

In addition to the above items, the Board will also consider the Contract School's compliance with the Office of Innovation and Incubation's compliance chart and the teacher qualification requirements in accordance with both the Illinois School Code and the requirements for Highly Qualified teachers under the No Child Left Behind Act (if the Contract 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 Contract 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 Contract School to respond to the finding.

### 3. Contract School Participation in the Accountability Process

The Contract School shall take all necessary actions to collect and report the information required by this Accountability Plan for the Contract School 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 for the Attendance Center 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 Contract 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 Contract 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 Contract School's history when conducting the annual performance evaluation and when acting to renew, not renew, or terminate the Contract School's Agreement.

The Board may act to terminate or not renew the Agreement in accordance with paragraphs 11 and 12 of this Agreement.

When the Agreement is up for renewal, the Contract School's academic performance on the SQRP 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 Agreement and any applicable laws have occurred. So, to further strengthen the Board's financial accountability process, the Board has established baseline financial standards for Contract 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 Contract 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 Contract 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 Contract 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 Contract 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 Contract School may automatically receive a shortened renewal term when the Agreement is up for renewal.

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

If infractions are severe enough or the Contract School did not successfully complete the Corrective Action Plan to resolve an infraction(s), the Agreement may be terminated or not renewed.