



**Opportunities For Learning
Public Charter Schools**

EMS

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**CHARTER SCHOOLS
DIVISION**

DATE: November 13, 2009
TO: Iqbal Badwalz, Charter Schools Division-CDE
FROM: John Hall, President – Opportunities For Learning Public Charter Schools 
SUBJECT: Opportunities For Learning Public Charter Schools Request for Mitigating Circumstances

This memo is in response to the questions received on November 5, 2009, from the Charter School Division of the CDE regarding Opportunities For Learning Public Charter School's request for mitigating circumstances resulting from the recent budget cuts due to the State's economic crisis. This response is on behalf of the following Opportunities For Learning Charter Schools:

Charter School Name	Charter School Number	Current Funding Level
Opportunities For Learning-Santa Clarita	214	85%
Opportunities For Learning-Baldwin Park	402	85%
Opportunities For Learning-Capistrano	463	85%
Opportunities For Learning-Baldwin Park II	874	85%

1. Please provide a copy of the contract/agreement/MOU between the charter school and the charter management organization, indicating whether the contract/agreement/MOU is annual in duration. If not, please indicate under what conditions the contract/agreement/MOU can be terminated or renewed and by whom.

The Opportunities For Learning charter schools contract is with Education Management Systems, Inc. ("EMS") for the provision of charter management services. A copy of the Services and Property Agreement entered into by each Opportunities For Learning charter school entity and EMS is provided herewith. The terms and conditions regarding termination and renewal are set forth in the agreement. The termination duration and conditions for termination are located under ARTICLE 2 (page 2) and ARTICLE 17 (pages 9-11).



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2. Please provide a copy of contract/agreement/MOU between the OFY and OFL, indicating whether the contract/agreement/MOU is annual in duration. If not, please indicate under what conditions the contract/agreement/MOU can be terminated or renewed and by whom.

The Opportunities For Learning charter school entities have each entered into an agreement with Options For Youth, Inc. concerning the acquisition of curriculum materials. In part, these agreements are also for the purpose of furthering the collective purchasing power achieved by purchasing all materials on behalf of the Options For Youth and Opportunities For Learning Charter Schools through a single purchasing entity. A copy of the Curriculum Delivery Agreement (which is identical to all of the agreements entered into by each Opportunities For Learning Charter School entities) is provided herewith and contains the provisions concerning termination and renewal of the agreement. The contract expires June 30, 2010 unless terminated by either party upon sixty (60) days written notice (please reference Section 1, page 1 of the agreement).

SERVICES AND PROPERTY AGREEMENT BETWEEN EDUCATION
MANAGEMENT SYSTEMS, INC. AND EMS-C, LLC

This SERVICES AND PROPERTY AGREEMENT ("Agreement") is made and entered into and effective, July 1, 2009, by and between Education Management Systems, Inc., a California corporation ("EMS"), and EMS-C, LLC, a California Limited Liability Company ("LLC") with reference to the following:

RECITALS

- A. EMS provides management and other services to charter schools and has expertise in home schooling and in providing educational services to at risk students using independent study instructional modalities in its Opportunities For Learning program;
- B. LLC was created to develop new ways to educate children within the public school system through the establishment of and/or operation of charter schools;
- C. On July 1, 2001 the Capistrano Unified School District approved the petition for charter submitted by LLC to operate an Opportunities For Learning charter school serving at risk students;
- D. The charter petition sets forth the governance structure for the charter school and provides, among other things, that the management and day-to-day operation of the charter school may be delegated to outside parties, including, but not limited to EMS;
- E. LLC desires to contract for services, including school management, property management, accounting and human relations services, to assist it in the operation of the charter school;
- G. EMS owns intellectual property, including its proprietary name, Opportunities For Learning, and curriculum for use in independent study modalities that LLC desires to use in its charter school programs;
- H. EMS has leased certain improved real property and furnished the real property for use as charter school learning centers and LLC desires the use of said facilities for its charter school;
- I. The parties intend that the terms of this Agreement shall be consistent with the terms of the charter petition approved by the Capistrano Unified School District; and

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I RELATIONSHIP

1.1 Services and Property Agreement. Under this Agreement, LLC hires EMS and EMS hereby covenants with the LLC to perform the duties hereinafter described.

1.2 Charter Agreement. The parties understand and acknowledge that LLC is bound by and subject to, all the terms and conditions of the Charter Agreement between LLC and the Capistrano Unified School District (hereafter referred to as the "District"), which charter was approved by the District on July 01, 2001 (hereafter referred to as the "Charter Agreement") and that by entering into this Agreement, EMS's services shall comply with the applicable terms and conditions of the Charter Agreement. A copy of the Charter Agreement is attached as Exhibit "A" and is incorporated herein. The Opportunities For Learning Charter School operated pursuant to the Charter Agreement is referred to as the "Charter School."

1.3 Independent Contractor. The parties to this Agreement intend that:

1.3.1 The relationship between EMS and LLC created by this Agreement is that of an independent contractor, and not a partnership or employer- employee or other relationship. No agent, employee, or servant of EMS shall be deemed to be the employee, agent or servant of LLC or the District. The manner and means of conducting the work pursuant to this Agreement is under the sole control of EMS and EMS will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement; and,

1.3.2 No agent, employee, or servant of the LLC shall be deemed to be the employee, agent or servant of EMS. LLC will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement.

ARTICLE 2 TERM

2.1 Unless earlier terminated pursuant to this Agreement, the term ("Term") of this Agreement shall commence on July 1, 2009 (the "Commencement Date"), and shall continue through June 30, 2014 unless charter terminates prior.

ARTICLE 3 SERVICES TO BE PROVIDED BY EMS

3.1 During the Term of this Agreement, except as otherwise provided, EMS shall be responsible for all functions that relate to educational services, facilities management, human resources management, administration and operation of the Charter School, as required by the Charter Agreement (hereafter referred to as the "EMS Services"). Such services are more particularly identified on Exhibit "B," which is attached hereto, and incorporated herein.

3.2 In addition, EMS shall locate and lease on behalf of the Charter School, for the duration of the Term, facilities in which the Charter School can operate its learning centers as described in Article 5.

ARTICLE 4 EMS COMPENSATION

4.1 On the 5th day of each calendar month during the Term of this Agreement, LLC shall cause to be paid to EMS a monthly fee for the EMS Services. The monthly fee shall be calculated based upon the number of students enrolled in the Charter School learning centers operated by EMS in the given month. LLC shall pay EMS the amount of Twelve Thousand One Hundred Twenty Seven Dollars and Fifty Cents (\$12,127.50) per month per learning center, when the center enrollment has reached or exceeded 150 students for the first year of this Agreement. The fee shall be prorated at fifty percent (50%) upon an enrollment of 75 or more students. The monthly fee shall increase by five percent (5%) per annum in each consecutive year unless otherwise agreed to by the parties in writing. The monthly fee shall not exceed 15% of the total revenue of the charter. The monthly fee will be in addition to LLC's obligation to reimburse expenses as provided in Article 5 below.

ARTICLE 5 REIMBURSABLE LEASE EXPENSES

5.1 LLC shall reimburse EMS or pay directly any and all rentals (including common area charges and other charges assessed directly by the landlord as part of each respective lease) advanced by EMS for the use of commercial premises for charter school learning centers. EMS has entered into and shall maintain for the benefit of Charter School, leases of commercial real property and office space to provide learning centers for the students of the charter school. The learning centers are all used for Charter School purposes. 5.2

LLC shall also reimburse EMS or pay directly all expenses for utilities, including telephone, power, water, trash and other utilities used in connection with the foregoing learning centers.

5.3 LLC acknowledges that prior to entry into this Agreement, it has reviewed or was provided opportunity to review leases for each of the learning centers in which it currently operates. LLC may, on reasonable notice to EMS inspect the foregoing leases.

5.4 LLC acknowledges that the terms of certain of the leases listed above may expire or terminate prior to the end to of the Term of this Agreement. In such event, EMS agrees to locate and secure, on behalf of the Charter School, suitable replacement premises. EMS will obtain the prior written approval of LLC before adding or subtracting the number of learning centers devoted to the Charter School.

ARTICLE 6 FACILITIES

6.1 EMS, on behalf of the Charter School, shall be responsible for the identification, location and acquisition of space for the Charter School (the "Charter School Site").

6.2 The Charter School Site will meet the state and local safety standards. The Charter School will use facilities that meet all city or local ordinances for the health and safety of its faculty and students. Facilities will be selected on the basis of identification of areas where the greatest numbers of potential students can be served.

6.3 EMS shall be responsible for the purchase and installation of technology (computers, modems, and phone units) integral to the Charter School. LLC will pay directly or reimburse EMS for these costs.

6.4 EMS shall be responsible for furnishing and maintaining for the Charter School Sites, appropriate and sufficient tables, chairs, materials and supplies to conduct the Charter School. LLC will pay directly or reimburse EMS for these costs.

6.5 EMS will secure insurance reasonably suitable to protect the Charter School for personal and property damage caused by hazards at the Charter School Site. LLC will pay directly or reimburse EMS for their allocated portion of such expense.

6.6 EMS will ensure that, at a minimum, each of the learning centers are open to Charter School teachers and students from 8:00 am, to 5:00 p.m. (closed one hour for lunch), each day, all year around, excluding weekends and holidays.

ARTICLE 7 DATA AND ASSESSMENTS

7.1 EMS shall provide information to the LLC governing board sufficient to enable the LLC governing board to monitor the educational performance and efficiency of the Charter School.

7.2 EMS shall make available to LLC the following reports: monthly report of expenses incurred for reimbursement, monthly ADA reports, reports required for the sponsoring District and California Department of Education, J200 budget reports, J18 and 19 filings, and year to date budget variance reports. Upon reasonable request, EMS shall provide additional financial data and other data concerning the Charter School to LLC in a format and structure reasonably directed by LLC.

7.3 LLC shall have the right, upon fifteen days notice to EMS, to conduct an audit of EMS's financial and other records relating to the operation of the Charter School. LLC shall pay the cost of such an audit and such audit may be performed by any Certified Public Accountant of LLC's choosing.

7.4 When requested by LLC, EMS will contract periodically with James Catterall, Ph.D. of the UCLA Graduate School of Education to conduct an independent evaluation of the Charter School. The results of Dr. Catterall's evaluation will be provided to LLC. This independent evaluation will examine aspects of the Charter School's effectiveness and quality of the Program. At a minimum, the evaluation will evaluate progress toward achieving the goals of the Charter School. The evaluation will use both qualitative and quantitative data. The evaluator will analyze standardized test data and incorporate the results into the evaluation. In addition, the data relating to baseline student Performance Plans; educational and community agency services rendered to the Charter School's students; and enrollment, academic and attendance records will be analyzed. Qualitative data will be collected through structured and unstructured interviews and questionnaires

with Charter School staff, students, parents and community agency personnel. LLC shall pay directly or reimburse EMS for the cost of any Catterall evaluation(s) requested by the LLC.

ARTICLE 8 EDUCATIONAL PROGRAM AND CURRICULUM

8.1 EMS shall provide an education program (the "Program") to be used in connection with the Charter School's educational program. The Program shall be initially structured as follows:

8.1.1 The curriculum developed or purchased by EMS shall introduce instruction in higher order skills as early as possible in the Program, in order to offer interesting and challenging curriculum for the purpose of allowing students to progress as quickly as their capabilities will allow. The Program will allow students to use the knowledge that they are accumulating in novel ways to facilitate problem- solving and skill development. Materials shall be designed in a language and format that are readily accessible, and students will be allowed to complete course work at their own pace, as the Program will be formulated based on an initial assessment of the student's skill levels in reading, math and other core courses. The key components of the Program are as follows:

8.1.2 Students will be required to concentrate their learning efforts on a maximum of one or two core subjects, in order to achieve greater depth of learning in each subject and to focus the students' attention on specific areas as a way to promote maximum efficiency for faster results.

8.1.3 Students will participate in independent study programs that will allow each student to tailor his or her work pace to meet personal needs and goals.

8.1.4 Students will be placed in core subjects of reading, English and Math based on tested achievement levels. Advancement will be determined on actual mastery of skills. Learning will be thus focused on the specific skills and tasks, which will result in the maximum advancement in the minimum time.

8.2 EMS shall implement the Charter School's curriculum in a manner that is consistent with the Charter Agreement.

8.3 The parties hereto understand and agree that an essential principle of the Charter School's operation is its flexibility, adaptability and capacity to change in the interests of continual improvements and efficiency and, further, that the parties hereto are interested in results and not inflexible prescriptions. To that end, EMS may modify, alter, change and/or amend the Program or curriculum as necessary, without the prior approval or consent of LLC. However, LLC shall receive written notice of any material changes to the charter school curriculum.

8.4 EMS shall ensure that the Charter School, including its curriculum, will be nonreligious, nonsectarian and shall not illegally discriminate against any student on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, special need, marital status or citizenship.

8.5 LLC shall pay directly or reimburse EMS for the cost of all curriculum materials.

ARTICLE 9 MANAGEMENT OF THE CHARTER SCHOOL

9.1 The Charter School shall be managed under the ultimate authority of the LLC through individuals designated by the LLC. Unless and until other individuals are designated, the LLC has designated John Hall to serve as President and Joan Hall, Jamie Hall, and John Hall Jr. to serve as Vice Presidents. The LLC has engaged William Toomey to serve in the capacity as Deputy Superintendent of Educational Operations.

9.2 Except as may be provided in Article 16 (Indemnification) EMS shall not be liable to LLC for any loss or damage sustained by LLC, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, or a knowing violation of law by EMS. EMS shall perform its duties in good faith, in a manner it reasonably believes to be in the best interests of the Charter School and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

9.3 EMS is not obligated to devote all of its time or business efforts to the affairs of the Charter School. EMS shall devote the time, effort and skill reasonably necessary for the operation of the Charter School.

9.4 EMS and its officers, directors, shareholders, partners, members, agents, employees and/or affiliates may engage or invest in any business activity of any type or description, including, without limitation, those that might be the same as or similar to the Charter School's business and that might be in direct or indirect competition with the Charter School. Neither the LLC, nor the Charter School shall have any right in or to such other activities or to the income or proceeds derived there from. EMS shall not be obligated to present any investment opportunity or prospective economic advantage to LLC, even if the opportunity is of the character that, if presented to LLC, could be invested in by LLC. LLC acknowledges that EMS and its affiliated entities own and/or manage other businesses, including businesses that may compete with the LLC and for EMS's time. LLC hereby waives any and all rights and claims which it may otherwise have against EMS and its officers, directors, shareholders, partners, members, agents, employees and affiliates as a result of any such competitive activities.

9.5 Notwithstanding that it may constitute a conflict of interest, EMS may, and may cause its affiliated entities to, engage in any transaction (including, without limitation, the purchase, sale, lease or exchange of any property, the lending of any money or property to LLC and/or the Charter School or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) with the Charter School and/or LLC so long as (a) such transaction is not expressly prohibited by this Agreement; and (b) the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Charter School and/or LLC and are at least as favorable to the Charter School and/or LLC as those that are generally available from persons capable of similarly performing them and in similar transactions between parties operating at arm's length; and (c) are approved by LLC's Board of Managers.

9.6 In addition to any other duties or obligation of EMS arising under this agreement, EMS shall ensure that, in the event that the LLC shall close a charter school operated by

it, all applicable legal requirements established by the California Department of Education or other government entity shall be met.

ARTICLE 10 STUDENT ADMISSION AND STANDARDS

10.1 EMS covenants that admission to the Charter School shall be open to students on a non-discriminatory basis without regard to race, color, religion, national origin, creed, sex, ethnicity, sexual orientation, behavior, age, ancestry, special need, or proficiency in the English language, income or academic achievement, except as otherwise allowed under California law.

10.2 Expulsions will be made on the advisement of the Board of Managers of LLC.

ARTICLE 11 PERSONNEL AND TRAINING

11.1 LLC shall employ all certificated personnel of the Charter School and non-certificated personnel, such as Instructional Aides, that work in the learning centers. LLC shall have ultimate authority for the selection and removal of certificated employees and non-certificated employees of LLC (Charter School Employees).

11.2 EMS shall recruit, screen and recommend certificated and non-certificated individuals to LLC for employment by LLC.

11.3 All Charter School Employees shall have the experience and knowledge appropriate to the position for which they are employed;

11.4 All Charter School Employees shall meet standards set forth by California law, as applicable and such Employee's particular job description. Certificated employees shall meet requirements of the California Commission on Teacher Credentialing.

11.5 When necessary, LLC shall work with EMS to obtain State Department of Education waivers and shall work with EMS to expedite the certification process or alternative accreditation for all new or out-of-district personnel.

11.6 EMS shall provide training in its methods, curriculum, program, and technology to all teaching personnel. Such training shall be at LLC's expense, and may be held off-site, at locations selected by EMS. EMS will also provide team building events, at LLC's expense, for the benefit of LLC employees.

11.7 EMS will administer health and retirement benefits for LLC's employees, including all certificated and non-certificated staff.

11.8 LLC acknowledges and agrees that John Hall, Joan Hall, Jamie Hall, John Hall Jr. and William Toomey may have employment relationships with both EMS and LLC.

11.9 Personnel Policies

11.9.1 EMS and LLC shall comply with all applicable federal and state laws, concerning employee welfare, safety and health, including, without limitation, the requirements of federal law for a drug free workplace.

11.9.2 Neither EMS nor LLC will illegally discriminate against any employee or applicant for employment on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, marital status, or citizenship, in its recruitment, selection, training, utilization, termination or other employment-related activities.

ARTICLE 12 SUBCONTRACTING OF SERVICES

12.1 Subcontracting of Services. EMS reserves the right to subcontract any and all services specified in this Agreement to the District and/or to public or private subcontractors, as permitted by law.

12.2 Location of Performance. EMS reserves the right to perform non-instructional functions, such as purchasing materials or developing curriculum, off-site at EMS offices or remote locations, unless prohibited by federal, state laws, rules, or regulations.

ARTICLE 13 SCHOOL YEAR

13.1 School Year. The parties hereto agree that the Charter School shall be in session at least two hundred forty (240) days or more between July 1st and June 30th of each calendar year.

13.2 Calendar. Notwithstanding the above, the parties understand and agree that the Charter School will have a year-round, multi-track, staggered start calendar for the Programs, or, as necessary, any other calendar that would improve the delivery of instruction to students.

ARTICLE 14 STUDENT PRIVACY

14.1 Family Educational Rights and Privacy: Act. LLC shall instruct the District to designate EMS and its officers, employees, agents and representatives as having a legitimate educational interest such that they are entitled to access to education records under 20 U.S.C.A. 1232g, the Family Educational Rights and Privacy Act and under applicable California information and privacy laws. EMS, its officers and employees shall comply with the Family Educational Rights and Privacy Act at all times.

ARTICLE 15 WARRANTIES AND REPRESENTATIONS

15.1 Representations of LLC. LLC represents and warrants to EMS that: (i) it is an organization formed, existing and operating under the laws of the State of California; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligation; provided for under this Agreement and to contract with EMS for EMS to provide the services set forth in this Agreement on behalf of the Charter School (iii) the information, if any, LLC has furnished to EMS concerning LLC's finances, revenues, and student enrollment is accurate and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of

this Agreement by LLC is not a violation or breach of any other agreement between LLC and any other person or entity.

15.2 Representations of EMS. EMS represents and warrants to LLC that: (i) it is a Delaware corporation organized and existing under the laws of the State of Delaware; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligations provided for under this Agreement and to contract with the LLC to provide the services set forth in this Agreement on behalf of the Charter School; (iii) the information, if any, EMS has furnished to LLC concerning the EMS's finances and revenues is accurate and complete and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of this Agreement by EMS is not a violation or breach of any other agreement between EMS and any other person or entity.

ARTICLE 16 INDEMNIFICATION

16.1 Indemnity to Property or Persons. EMS shall indemnify and hold LLC and its members, managers, employees, officers, subcontractors, agents, representatives and authorized volunteers (collectively "the LLC Agents") harmless from and against any and all claims, demands, suits, costs, judgments, or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against LLC and/or the LLC Agents for injury to property or persons, occurring or allegedly occurring in, on or about the Charter School as a result of actions by EMS and/or by its employees, officers, directors, subcontractors, representatives, and agents (collectively "EMS's Agents") during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from LLC, EMS shall defend LLC and/or the LLC Agents in any action or proceeding brought thereon with counsel reasonably acceptable to LLC.

16.2 LLC shall indemnify and hold EMS and EMS's Agents harmless from and against any and all claims, demands, suits, costs, judgments or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against EMS and/or EMS's Agents for injury to property or persons, occurring or allegedly occurring in, on or about the Charter School as a result of actions by LLC and/or by LLC's Agents during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from EMS, LLC shall defend EMS and/or EMS's Agents in any action or proceeding brought thereon with counsel reasonably acceptable to EMS.

ARTICLE 17 TERMINATION AND CLOSURE

17.1 Termination. This Agreement may be terminated during the Term hereof pursuant to the provisions of this Article. Subject to Section 17.5 below, upon termination of this Agreement, the Charter School shall cease all operations.

17.2 LLC Termination for Cause. LLC may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For purposes of this Section, "Cause" means:

17.2.1 Material breach of this Agreement, which may include, but is not limited to, failure of EMS to provide services as required by this Agreement, or any other act or failure to act by EMS which undermines the joint purpose of this Agreement.

17.2.2 LLC may terminate for cause only if LLC has provided EMS written notice of the material breach and has allowed EMS a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If LLC makes a good faith reasonable determination that EMS's remedial action is unsatisfactory, LLC may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 17.5.

17.3 EMS Termination for Cause. EMS may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For the purposes of this Section, "Cause" means:

17.3.1 Material breach of this Agreement, which may include, but is not limited to, LLC's failure to adhere to the reasonable personnel, curriculum, program or similar recommendations of EMS with respect to the Charter School, which EMS reasonably determines to be necessary for the implementation of EMS's Program, LLC's failure to obtain waivers from third parties as provided for in this Agreement which EMS reasonably determines to be necessary for the implementation of EMS's Program, LLC's failure to make payments as required by this Agreement; or any other failure which undermines the joint purposes of this Agreement; or

17.3.2 EMS may terminate for cause only if EMS has provided written notice of the breach to LLC and has allowed EMS a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If EMS makes a good faith reasonable determination that LLC's remedial action is unsatisfactory, EMS may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 17.5.

17.4 Statutes or Legislative Changes. In the event that any enactment, repeal, promulgation or withdrawal of any federal, state, or local law, regulation, or court or administrative decision or order materially affects the operation of the Charter School in conformity with this Agreement, or otherwise constitutes a violation of law, or otherwise has a material adverse effect on EMS's ability to operate the Charter School, EMS or LLC may elect to deliver written notice to the other of such changes and the resulting consequences. Upon delivery of such notice, the parties shall promptly commence negotiations in good faith regarding a mutually agreeable approach (including without limitation, an amendment to the Agreement) to address the statutory and/or legislative changes. If despite such good faith negotiations the parties are unable to agree upon an acceptable approach to address the statutory and/or legislative changes, then either party may elect to terminate the Agreement without further obligation or liability to the other, by delivering written notice of termination to the other at least one hundred eighty (180) days in advance of the effective date of such termination, or in such lesser time as is reasonable under the circumstances. Among other events, the foregoing section applies to actions that may be made by the State Board of Education, Department of Education and the Advisory Commission on Charter Schools.

17.5 Termination Notice and Other Termination Procedure

17.5.1 Unless otherwise expressly provided herein, each party shall give the other party at least ninety (90) days advance written notice of a termination of this Agreement prior to the end of its Term.

17.5.2 Notwithstanding any other provision in this agreement, each party shall use its good faith best efforts to avoid a termination of the Agreement, which becomes effective during the middle of a school year because of the disruption to the educational program and the students. Therefore, in the event this agreement is terminated by either party prior to the end of the Term, absent unusual and compelling circumstances, the termination will not become effective until the end of the school year.

17.5.3 In the event of termination of this Agreement for any reason, EMS shall provide reasonable assistance to LLC for up to ninety (90) days after the effective date of termination of the Agreement, to assist in the closure of the Charter School and the transition of students.

17.5.4 In the event LLC terminates this Agreement prior to the end of the Term, regardless of the reason, then LLC shall, for the duration of the Term, be obligated to reimburse EMS for all expenses incurred by EMS on account of the leases and all other reimbursable items listed in Article 5.

17.5.5 Upon closure of the Charter School, for any reason, the parties shall follow the closure procedures listed in Exhibit A.

ARTICLE 18 INSURANCE

18.1 Liability Insurance

18.1.1 EMS, on behalf of the Charter School and the District, shall secure and maintain, insurance, including, but not limited to general liability insurance coverage for bodily injury and property damage for the protection of the Charter School, the District, EMS, and their respective officers, directors, board members, employees, students, teachers and volunteers. Such insurance policies shall be issued by an insurance company or companies selected by EMS and licensed to do business in the state of California. Except as otherwise agreed in writing by LLC and EMS, all such insurance coverage shall be primary insurance, with deductibles or SIR's which are outside the policy limits, and shall be occurrence based insurance (and not claims made insurance). LLC shall pay directly or reimburse EMS for its pro-rata share of such cost.

18.1.2 LLC shall require that its contractors, if providing transportation or other services to the Charter School shall name the Charter School and EMS, and their respective officers, directors, board members, employees, and agents as additional insured under their respective commercial general liability and automobile liability insurance policies for personal injury and property damage; and if such services are provided directly by LLC rather than by contracted service, then such persons shall be named as an additional insured under corresponding LLC insurance policies.

18.1.3 The insurance policies maintained by each party pursuant to this Agreement shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced, in coverage or limits, except after thirty (30) days prior written notice to EMS and LLC.

The parties shall furnish one another certified copies of the insurance or certificates of insurance which name one another as additional insured as additional insured and which demonstrate compliance with this Agreement.

18.2 Workers' Compensation Insurance. EMS, on behalf of LLC, shall secure and maintain workers' compensation insurance covering LLC employees and authorized volunteers. Such insurance policies shall be issued by an insurance company or companies licensed to do business in the state of California. LLC shall pay directly or reimburse EMS for its pro-rata share of such cost.

18.3 Coordination of Risk Management. The parties shall coordinate risk management activities with one another, which shall include the prompt reporting of any and all pending or threatened claims, filing of timely notices of claim, cooperating fully with one another in the defense of any claims and complying with any defense and reimbursement provisions of state governmental immunity laws and applicable insurance policies. The parties shall give each other prompt written notice of any claim arising out of the operation of the Charter School. Neither EMS nor LLC shall compromise, settle, negotiate or otherwise affect any disposition of any claim or potential claims asserted against it to the extent such claims are insured by or through the other party, without the approval of the other party.

ARTICLE 19 CONFIDENTIAL AND PROPRIETARY INFORMATION

19.1 Proprietary Marks and Intellectual Property. LLC acknowledges and agrees as follows:

19.1.1 EMS owns and has all proprietary rights in and to the name "Opportunities For LearningSM", including but not limited to, all trademarks, trade names, service marks, industrial designs, insignias, logos, and designations (as presently or hereafter comprised) in connection therewith (the "Proprietary Marks");

19.1.2 EMS also has developed, purchased and owns curriculum materials, software and other intellectual property to be used in connection with the operation of the Charter School, including but not limited to all copyrights, patents, source codes, technology and trade secrets (as presently or hereafter comprised) in connection therewith (the "Intellectual Property");

19.1.3 EMS has extensively invested in developing and improving the Proprietary Marks and Intellectual Property and in marketing, refining, advertising, promoting and publicizing the same, all of which have become well and favorably known to the public throughout the United States and elsewhere, and, as a result of such efforts, EMS has acquired a valuable goodwill therein; and,

19.1.4 The public has and will come to associate said Proprietary Marks and Intellectual Property exclusively with EMS and the services offered and rendered by EMS through the various Opportunities For Learning charter schools.

19.2 Validity and Use of Proprietary Marks and Intellectual Property. LLC hereby acknowledges the validity of the Proprietary Marks and Intellectual Property identified above and acknowledges that same are the sole property of EMS, LLC, through the

Charter School, shall use such Proprietary Marks and Intellectual Property only for so long as the right and license granted here remains in force, and only in connection with the operation of the Charter School within the District, in the manner and for the purposes specified in this Agreement. LLC, shall not, either during or after the term of this Agreement, do anything, or aid or assist any other party to do anything, which would infringe upon, harm, or contest the rights of EMS in any of its Proprietary Marks and/or Intellectual Property, or in any other mark or names which incorporate the words "Opportunities For LearningSM". LLC shall not use any mark or name other than as herein licensed in connection with the conduct of the Charter School, and shall not place any name or mark other than the names or marks originally appearing thereon, on any materials obtained from EMS. LLC further agrees that any additional rights that may develop in any of EMS's Proprietary Marks and/or Intellectual Property in the future, whether as trade names, trademarks, service marks, or copyrighted materials, shall inure and accrue to the benefit of EMS.

19.3 License. Subject to the terms and conditions contained herein, EMS hereby grants to LLC, and LLC hereby accepts from EMS, a non-exclusive license to use the Proprietary Marks and Intellectual Property during the Term for the limited purpose of establishing and operating the Charter School.

19.4 Designation of Charter School. Subject to the terms and conditions contained herein, the Charter School shall be operated, advertised and promoted under the designation "Opportunities For LearningSM" or under any other name or names as EMS may from time to time designate, and under no other name or designation whatsoever, and without the addition of any prefix, suffix or any other name or names; notwithstanding the foregoing, LLC may refer to the Charter School as the "Opportunities For LearningSM Charter School – Stockton."

19.5 Prohibitions on Use. LLC agrees not to interfere in any manner with or attempt to prohibit the use of the Proprietary Marks and Intellectual Property by any other entity. LLC further agrees to execute any and all other necessary papers, documents, and assurances to effectuate this purpose and agrees to cooperate fully with EMS or its agents in securing all necessary and required authority from any Secretary of State, licensing authority, or any other state or federal authority to the use of the Proprietary Marks and Intellectual Property wherever needed. The grant of the License pursuant to this Agreement, does not grant exclusivity of territory or use to LLC.

19.6 Ownership of Proprietary Information. LLC agrees that EMS shall own all copyright and other proprietary rights in and to the Proprietary Marks and intellectual Property, including but not limited to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by EMS, its employees, agents or subcontractors, or by any individual employed at the Charter School, including LLC or District employees working for, or supervised by, EMS, which are developed during the Term of this Agreement or any renewal Terms hereof EMS shall have the sole and exclusive right to license such materials for use by other school districts or customers, or to modify and/or sell such materials to other school districts and customers. EMS may disclose such proprietary information, including that which is currently in existence as well as that which may be created in the future. LLC shall take all measures reasonably necessary to assure that none of its personnel or agents disclose, publish,

copy, transmit, modify, alter or utilize the Proprietary Marks and Intellectual Property without EMS's prior written consent.

19.7 Unauthorized Use. LLC shall promptly report to EMS any unauthorized use of EMS's Proprietary Marks and/or Intellectual Property that comes to its attention in any manner whatsoever. If requested by EMS, LLC will cooperate with EMS in precluding unauthorized use of EMS's Proprietary Marks and Intellectual Property, or any confusingly similar mark or property.

19.8 Attorney-In-Fact. LLC shall execute and deliver any and all assignments, instruments and documents and take any and all other actions to ensure that the Proprietary Marks and Intellectual Property shall belong free of charge and exclusively to EMS (or any other entity designated by EMS). LLC hereby irrevocably designates and appoints EMS as its agent and attorney-in-fact to act on its benefit to execute, acknowledge, deliver, and file (and to swear to such execution, acknowledgement, delivery and filing of any and all instruments, documents and agreements and to perform any and all other acts and deeds deemed necessary or desirable to further the purposes of this Section 15. Such power of attorney shall be irrevocable, coupled with an interest and shall survive the dissolution of LLC

19.9 Confidential Information.

19.9.1 LLC acknowledges and agrees that during the Term, it will have access to certain confidential information of EMS, including but not limited to confidential or proprietary business information, curriculum materials, software, property rights and data, know-how, trade secrets, customer and vendor lists, supplier and distributor lists, billing practices and procedures, operating manuals and procedures, pricing policies, operational methods, marketing plans or strategies, financial information, budget information and procedures of EMS ("the Confidential formation").

19.9.2 From and after the commencement of the Term, LLC shall keep secret and retain in strictest confidence and shall not use for the benefit of itself or others, all or any of the Confidential Information.

19.9.3 Promptly following the termination of this Agreement for any reason, LLC shall immediately deliver to EMS all Confidential Information in its possession, together with all notes, records, memoranda, correspondence files and other papers, magnetic tapes, software, discs, manuals and other information in any form relating to EMS (including all copies of these materials). LLC acknowledges that it does not have and cannot acquire any rights to these materials.

19.10 Further Obligations Following Termination. Upon termination of this Agreement for any reason whatsoever, LLC shall immediately and permanently discontinue the use of any and all of the Proprietary Marks and/or Intellectual Property, or any marks, names, or indicia which in the opinion of EMS are confusingly similar thereto, or any other materials which may in any way indicate or tend to indicate that LLC and/or the Charter School is or was in way associated with EMS. At such time, LLC shall also immediately and permanently remove or destroy or return to EMS, at EMS's option, at LLC's expense, all curriculum materials, software, signs, stationary, letterheads, forms, printed matter, promotional displays, and other materials containing the Proprietary Marks and/or

the Intellectual Property. LLC shall, at such time, also immediately and permanently discontinue any use of the name "Opportunities For Learning", or a confusingly similar name thereto in connection with the operation of a charter school.

ARTICLE 20 DISPUTE RESOLUTION PROCEDURE

20.1 Mediation. In the event that any controversy claim or dispute between the parties arises relating to the terms of this Agreement, or the breach thereof, the parties hereby agree to initially attempt to settle such disputes by a non-binding mediation, before a single neutral mediator (the "Mediator"), administered by J.A.M.S./ENDISPUTE. The Mediator shall be assigned at random by J.A.M.S./ENDISPUTE and shall take place within Los Angeles County.

20.1.1 The mediation shall commence within forty-five (45) calendar days from the date of the receipt of the Mediation Demand sent by the aggrieved party ("Receipt Date"), and shall be concluded no later than sixty (60) calendar days from the Receipt Date. In determining the Receipt Date, the notice provisions of this Agreement shall apply.

20.1.2 The administrative costs of conducting the mediation shall be shared equally between the parties.

20.2 Binding Arbitration. In the event that the parties are unable to resolve any dispute regarding relating to the terms of this Agreement, or the breach thereof, through non binding mediation pursuant to Section 20.1, above, such dispute shall be determined by binding arbitration in accordance with the rules of J.A.M.S./ENDISPUTE. The parties may select any third party arbitrator, including a retired jurist, or other independent party. Any determination of the arbitrator shall be binding on the parties, and may be entered in any court with proper jurisdiction for enforcement thereof. The costs of the arbitrator shall be borne equally by the parties.

ARTICLE 21 MISCELANEOUS

21.1 Standard of Interpretation. Except as otherwise provided herein, the parties shall perform all actions required herein in a reasonable and timely manner.

21.2 Notices. Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if served either personally or, if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. If such notice, demand or other communication be served personally, service shall be conclusively deemed made at the time of such personal service. If such notice, demand or other communication be given by mail, such shall be conclusively deemed given forty-eight (48) hours after the deposit thereof in the United States mail, addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth.

21.4 Governing Law and Construction. This Agreement shall, in all respects, be governed by the laws of the State of California applicable to agreements executed and to be wholly performed within the State of California Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there

is any conflict between any provision contained herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail but the provision of this Agreement which is affected shall be construed and limited only to the extent necessary to bring it within the requirements of the law.

21.5 Severability. The provisions of this Agreement are severable, and if any one or more provisions shall be determined to be judicially unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

21.6 Arm's Length Agreement. This Agreement has been negotiated at arm's length and between persons (or their representatives) sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to affect the purpose of the parties and this Agreement.

21.7 Entire Agreement. This Agreement, together with the Charter Agreement, constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all other written or oral negotiations, understandings or agreements among the parties with respect to the rights and obligations assumed herein and contains all of the covenants and agreements among the parties with respect to such rights and obligations.

21.8 Binding Agreement. The party's rights and obligations under this Agreement are personal and shall not be assignable. Subject to the foregoing, each of the terms and provisions contained herein shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors, and assigns.

21.9 Cumulative Remedies. No remedy conferred by any provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. Except as otherwise provided herein, the election of anyone or more remedies by any party, shall not constitute a waiver of the right to pursue other available remedies.

21.11 Modifications. No amendment, change or modification of this Agreement shall be valid unless in writing, stating that it amends or modifies this Agreement, and signed by all of the parties hereto.

21.12 Additional Acts. Each of the parties hereto shall execute and deliver any and all additional papers, documents and other assurances and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the parties hereto.

21.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21.14 Waiver. The waiver by any party to this Agreement of the breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach, whether of the same or another provision of this Agreement.

21.15 Captions. The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the section at the head of which it appears, the section and not such caption shall control and govern in the construction of this Agreement. The reference to paragraph numbers herein shall be deemed to refer to the numbers preceding each section.

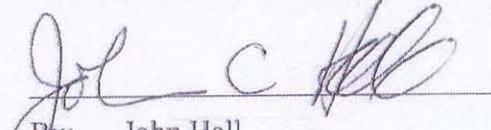
21.16 Force Majeure. Neither party shall be liable if the performance of any part or all of this contract is prevented, delayed, hindered or otherwise made impracticable or impossible by reason of any strike, flood, riot, fire, explosion, war, act of God, sabotage, accident or any other casualty or cause beyond either party's control and which cannot be overcome by reasonable diligence and without unusual expense.

21.17 Nondiscrimination. EMS covenants and agrees that it shall not discriminate against any person or group thereof upon the basis of race, color, religion, sex, ancestry, physical handicap, marital status or national origin in the operation of the Charter School. EMS shall comply with applicable federal and state laws, rules, and regulations pertaining to nondiscrimination of hiring and employment, and as to admission of and treatment of students.

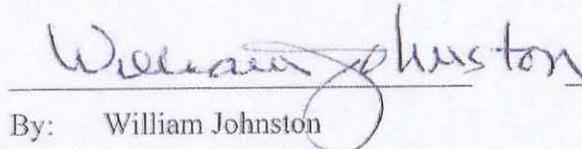
21.18 Jointly Drafted Agreement. The parties acknowledge that this Agreement is the product of the combined involvement and drafting of both parties hereto and that neither party may be considered or deemed the primary drafter of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Education Management SystemS, Inc., a California Corporation


By: John Hall Date 2/27/09
Title: President

EMS-C, LLC, a California Limited Liability Company


By: William Johnston Date
Title: Member of the Board of Managers

EMS-C, LLC, a California Limited Liability Company

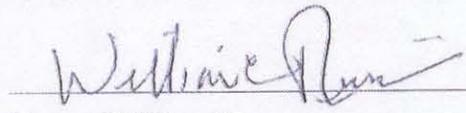

By: William Rivera Date
Title: Member of the Board of Managers

Exhibit A

Charter Petition

Exhibit A

CHARTER AGREEMENT

(As referenced on page 2, ARTICLE 1, Section 1.2)

Exhibit B
EMS Services

- (a) Provide Opportunities for Learning Academic Recovery educational program that is specifically designed for drop outs and at risk youth and meets all requirements of the charter agreement between LLC and the Capistrano Unified School District (the Academic Recovery Program),
- (b) Implement, as deemed necessary, a leadership development program and youth impact program (Extra Programs),
- (c) Identify and produce curriculum and instructional materials for the Programs (including all above Opportunities for Learning Programs) (see cost allocation in section 8.5),
- (d) Train LLC teachers and instructional aides in delivery of the Programs to students,
- (e) Provide administrative support staff to assist Charter School,
- (f) Provide all human resources services needed by LLC, including but not limited to advertising for and recruiting teachers and instructional employees, screening prospective new employees, making staffing and employment recommendations to LLC, planning and conducting team building events for LLC staff, and coordinating all employee benefits,
- (g) Provide computer for use of each teacher (see cost allocation in Article 6),
- (h) Provide administrative services needed for operation of the school, including program development, facilities management and management of day to day operations,
- (i) Obtain waivers as may be necessary for operation of the charter school's multi-track calendar,
- (j) Provide all accounting services, including all bookkeeping and accounting services,
- (k) Arrange for an annual audit of the charter school to be performed by an auditing firm approved by LLC,
- (l) Provide to LLC the following reports: monthly report of expenses incurred for reimbursement, monthly ADA reports, reports required for the sponsoring District and California Department of Education, J200 budget reports, J18 and 19 filings, and year to date budget variance reports. Upon reasonable request, EMS shall provide additional financial data and other data concerning the charter school to LLC in a format and structure reasonably directed by LLC.
- (m) Locate and secure facilities adequate to meet the needs of the charter school and the Program, lease or otherwise contract with third parties for the use of facilities for school purposes,
- (n) Provide all property management services needed to maintain the charter school's learning centers and to keep the learning centers in clean and professional order and repair.

- (o) Furnish all learning centers with adequate desks, chairs, books, book cases and other furnishings appropriate to maintain the learning centers' clean and professional appearance and suitable for the conduct of the charter school (see cost allocation in Article 6),
- (p) Provide computers for students in each learning center with Internet connections and printing capabilities (see cost allocation in Article 6),
- (q) Procure all insurance needed for operation of the charter school (see cost allocations in Article 18),
- (r) Supervise the providing of special education services,
- (s) Periodically, as requested by LLC, arrange for independent assessments as described in the Agreement performed by Dr. James Catterall of the UCLA Graduate School of Education (see cost allocation in section 7.4).

SERVICES AND PROPERTY AGREEMENT BETWEEN EDUCATION
MANAGEMENT SYSTEMS, INC. AND EMS-WSH, LLC

This SERVICES AND PROPERTY AGREEMENT ("Agreement") is made and entered into and effective, July 1, 2009, by and between Education Management Systems, Inc., a California corporation ("EMS"), and EMS-WSH, LLC, a California Limited Liability Company ("LLC") with reference to the following:

RECITALS

- A. EMS provides management and other services to charter schools and has expertise in home schooling and in providing educational services to at risk students using independent study instructional modalities in its Opportunities For Learning program;
- B. LLC was created to develop new ways to educate children within the public school system through the establishment of and/or operation of charter schools;
- C. On August 26, 1999 the William S. Hart Unified School District approved the petition for charter submitted by LLC to operate an Opportunities For Learning charter school serving at risk students;
- D. The charter petition sets forth the governance structure for the charter school and provides, among other things, that the management and day-to-day operation of the charter school may be delegated to outside parties, including, but not limited to EMS;
- E. LLC desires to contract for services, including school management, property management, accounting and human relations services, to assist it in the operation of the charter school;
- G. EMS owns intellectual property, including its proprietary name, Opportunities For Learning, and curriculum for use in independent study modalities that LLC desires to use in its charter school programs;
- H. EMS has leased certain improved real property and furnished the real property for use as charter school learning centers and LLC desires the use of said facilities for its charter school;
- I. The parties intend that the terms of this Agreement shall be consistent with the terms of the charter petition approved by the William S. Hart Unified School District; and

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I RELATIONSHIP

1.1 Services and Property Agreement. Under this Agreement, LLC hires EMS and EMS hereby covenants with the LLC to perform the duties hereinafter described.

1.2 Charter Agreement. The parties understand and acknowledge that LLC is bound by and subject to, all the terms and conditions of the Charter Agreement between LLC and the William S. Hart Unified School District (hereafter referred to as the "District"), which charter was approved by the District on July 01, 2001 (hereafter referred to as the "Charter Agreement") and that by entering into this Agreement, EMS's services shall comply with the applicable terms and conditions of the Charter Agreement. A copy of the Charter Agreement is attached as Exhibit "A" and is incorporated herein. The Opportunities For Learning Charter School operated pursuant to the Charter Agreement is referred to as the "Charter School."

1.3 Independent Contractor. The parties to this Agreement intend that:

1.3.1 The relationship between EMS and LLC created by this Agreement is that of an independent contractor, and not a partnership or employer- employee or other relationship. No agent, employee, or servant of EMS shall be deemed to be the employee, agent or servant of LLC or the District. The manner and means of conducting the work pursuant to this Agreement is under the sole control of EMS and EMS will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement; and,

1.3.2 No agent, employee, or servant of the LLC shall be deemed to be the employee, agent or servant of EMS. LLC will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement.

ARTICLE 2 TERM

2.1 Unless earlier terminated pursuant to this Agreement, the term ("Term") of this Agreement shall commence on July 1, 2009 (the "Commencement Date"), and shall continue through June 30, 2014 unless charter terminates prior.

ARTICLE 3 SERVICES TO BE PROVIDED BY EMS

3.1 During the Term of this Agreement, except as otherwise provided, EMS shall be responsible for all functions that relate to educational services, facilities management, human resources management, administration and operation of the Charter School, as required by the Charter Agreement (hereafter referred to as the "EMS Services"). Such services are more particularly identified on Exhibit "B," which is attached hereto, and incorporated herein.

3.2 In addition, EMS shall locate and lease on behalf of the Charter School, for the duration of the Term, facilities in which the Charter School can operate its learning centers as described in Article 5.

ARTICLE 4 EMS COMPENSATION

4.1 On the 5th day of each calendar month during the Term of this Agreement, LLC shall cause to be paid to EMS a monthly fee for the EMS Services. The monthly fee shall be calculated based upon the number of students enrolled in the Charter School learning centers operated by EMS in the given month. LLC shall pay EMS the amount of Twelve Thousand One Hundred Twenty Seven Dollars and Fifty Cents (\$12,127.50) per month per learning center, when the center enrollment has reached or exceeded 150 students for the first year of this Agreement. The fee shall be prorated at fifty percent (50%) upon an enrollment of 75 or more students. The monthly fee shall increase by five percent (5%) per annum in each consecutive year unless otherwise agreed to by the parties in writing. The monthly fee shall not exceed 15% of the total revenue of the charter. The monthly fee will be in addition to LLC's obligation to reimburse expenses as provided in Article 5 below.

ARTICLE 5 REIMBURSABLE LEASE EXPENSES

5.1 LLC shall reimburse EMS or pay directly any and all rentals (including common area charges and other charges assessed directly by the landlord as part of each respective lease) advanced by EMS for the use of commercial premises for charter school learning centers. EMS has entered into and shall maintain for the benefit of Charter School, leases of commercial real property and office space to provide learning centers for the students of the charter school. The learning centers are all used for Charter School purposes. 5.2

LLC shall also reimburse EMS or pay directly all expenses for utilities, including telephone, power, water, trash and other utilities used in connection with the foregoing learning centers.

5.3 LLC acknowledges that prior to entry into this Agreement, it has reviewed or was provided opportunity to review leases for each of the learning centers in which it currently operates. LLC may, on reasonable notice to EMS inspect the foregoing leases.

5.4 LLC acknowledges that the terms of certain of the leases listed above may expire or terminate prior to the end to of the Term of this Agreement. In such event, EMS agrees to locate and secure, on behalf of the Charter School, suitable replacement premises. EMS will obtain the prior written approval of LLC before adding or subtracting the number of learning centers devoted to the Charter School.

ARTICLE 6 FACILITIES

6.1 EMS, on behalf of the Charter School, shall be responsible for the identification, location and acquisition of space for the Charter School (the 'Charter School Site').

6.2 The Charter School Site will meet the state and local safety standards. The Charter School will use facilities that meet all city or local ordinances for the health and safety of its faculty and students. Facilities will be selected on the basis of identification of areas where the greatest numbers of potential students can be served.

6.3 EMS shall be responsible for the purchase and installation of technology (computers, modems, and phone units) integral to the Charter School. LLC will pay directly or reimburse EMS for these costs.

6.4 EMS shall be responsible for furnishing and maintaining for the Charter School Sites, appropriate and sufficient tables, chairs, materials and supplies to conduct the Charter School. LLC will pay directly or reimburse EMS for these costs.

6.5 EMS will secure insurance reasonably suitable to protect the Charter School for personal and property damage caused by hazards at the Charter School Site. LLC will pay directly or reimburse EMS for their allocated portion of such expense.

6.6 EMS will ensure that, at a minimum, each of the learning centers are open to Charter School teachers and students from 8:00 am, to 5:00 p.m. (closed one hour for lunch), each day, all year around, excluding weekends and holidays.

ARTICLE 7 DATA AND ASSESSMENTS

7.1 EMS shall provide information to the LLC governing board sufficient to enable the LLC governing board to monitor the educational performance and efficiency of the Charter School.

7.2 EMS shall make available to LLC the following reports: monthly report of expenses incurred for reimbursement, monthly ADA reports, reports required for the sponsoring District and California Department of Education, J200 budget reports, J18 and 19 filings, and year to date budget variance reports. Upon reasonable request, EMS shall provide additional financial data and other data concerning the Charter School to LLC in a format and structure reasonably directed by LLC.

7.3 LLC shall have the right, upon fifteen days notice to EMS, to conduct an audit of EMS's financial and other records relating to the operation of the Charter School. LLC shall pay the cost of such an audit and such audit may be performed by any Certified Public Accountant of LLC's choosing.

7.4 When requested by LLC, EMS will contract periodically with James Catterall, Ph.D. of the UCLA Graduate School of Education to conduct an independent evaluation of the Charter School. The results of Dr. Catterall's evaluation will be provided to LLC. This independent evaluation will examine aspects of the Charter School's effectiveness and quality of the Program. At a minimum, the evaluation will evaluate progress toward achieving the goals of the Charter School. The evaluation will use both qualitative and quantitative data. The evaluator will analyze standardized test data and incorporate the results into the evaluation. In addition, the data relating to baseline student Performance Plans; educational and community agency services rendered to the Charter School's students; and enrollment, academic and attendance records will be analyzed. Qualitative data will be collected through structured and unstructured interviews and questionnaires

with Charter School staff, students, parents and community agency personnel. LLC shall pay directly or reimburse EMS for the cost of any Catterall evaluation(s) requested by the LLC.

ARTICLE 8 EDUCATIONAL PROGRAM AND CURRICULUM

8.1 EMS shall provide an education program (the "Program") to be used in connection with the Charter School's educational program. The Program shall be initially structured as follows:

8.1.1 The curriculum developed or purchased by EMS shall introduce instruction in higher order skills as early as possible in the Program, in order to offer interesting and challenging curriculum for the purpose of allowing students to progress as quickly as their capabilities will allow. The Program will allow students to use the knowledge that they are accumulating in novel ways to facilitate problem-solving and skill development. Materials shall be designed in a language and format that are readily accessible, and students will be allowed to complete course work at their own pace, as the Program will be formulated based on an initial assessment of the student's skill levels in reading, math and other core courses. The key components of the Program are as follows:

8.1.2 Students will be required to concentrate their learning efforts on a maximum of one or two core subjects, in order to achieve greater depth of learning in each subject and to focus the students' attention on specific areas as a way to promote maximum efficiency for faster results.

8.1.3 Students will participate in independent study programs that will allow each student to tailor his or her work pace to meet personal needs and goals.

8.1.4 Students will be placed in core subjects of reading, English and Math based on tested achievement levels. Advancement will be determined on actual mastery of skills. Learning will be thus focused on the specific skills and tasks, which will result in the maximum advancement in the minimum time.

8.2 EMS shall implement the Charter School's curriculum in a manner that is consistent with the Charter Agreement.

8.3 The parties hereto understand and agree that an essential principle of the Charter School's operation is its flexibility, adaptability and capacity to change in the interests of continual improvements and efficiency and, further, that the parties hereto are interested in results and not inflexible prescriptions. To that end, EMS may modify, alter, change and/or amend the Program or curriculum as necessary, without the prior approval or consent of LLC. However, LLC shall receive written notice of any material changes to the charter school curriculum.

8.4 EMS shall ensure that the Charter School, including its curriculum, will be nonreligious, nonsectarian and shall not illegally discriminate against any student on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, special need, marital status or citizenship.

8.5 LLC shall pay directly or reimburse EMS for the cost of all curriculum materials.

ARTICLE 9 MANAGEMENT OF THE CHARTER SCHOOL

9.1 The Charter School shall be managed under the ultimate authority of the LLC through individuals designated by the LLC. Unless and until other individuals are designated, the LLC has designated John Hall to serve as President and Joan Hall, Jamie Hall, and John Hall Jr. to serve as Vice Presidents. The LLC has engaged William Toomey to serve in the capacity as Deputy Superintendent of Educational Operations.

9.2 Except as may be provided in Article 16 (Indemnification) EMS shall not be liable to LLC for any loss or damage sustained by LLC, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, or a knowing violation of law by EMS. EMS shall perform its duties in good faith, in a manner it reasonably believes to be in the best interests of the Charter School and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

9.3 EMS is not obligated to devote all of its time or business efforts to the affairs of the Charter School. EMS shall devote the time, effort and skill reasonably necessary for the operation of the Charter School.

9.4 EMS and its officers, directors, shareholders, partners, members, agents, employees and/or affiliates may engage or invest in any business activity of any type or description, including, without limitation, those that might be the same as or similar to the Charter School's business and that might be in direct or indirect competition with the Charter School. Neither the LLC, nor the Charter School shall have any right in or to such other activities or to the income or proceeds derived there from. EMS shall not be obligated to present any investment opportunity or prospective economic advantage to LLC, even if the opportunity is of the character that, if presented to LLC, could be invested in by LLC. LLC acknowledges that EMS and its affiliated entities own and/or manage other businesses, including businesses that may compete with the LLC and for EMS's time. LLC hereby waives any and all rights and claims which it may otherwise have against EMS and its officers, directors, shareholders, partners, members, agents, employees and affiliates as a result of any such competitive activities.

9.5 Notwithstanding that it may constitute a conflict of interest, EMS may, and may cause its affiliated entities to, engage in any transaction (including, without limitation, the purchase, sale, lease or exchange of any property, the lending of any money or property to LLC and/or the Charter School or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) with the Charter School and/or LLC so long as (a) such transaction is not expressly prohibited by this Agreement; and (b) the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Charter School and/or LLC and are at least as favorable to the Charter School and/or LLC as those that are generally available from persons capable of similarly performing them and in similar transactions between parties operating at arm's length; and (c) are approved by LLC's Board of Managers.

9.6 In addition to any other duties or obligation of EMS arising under this agreement, EMS shall ensure that, in the event that the LLC shall close a charter school operated by

it, all applicable legal requirements established by the California Department of Education or other government entity shall be met.

ARTICLE 10 STUDENT ADMISSION AND STANDARDS

10.1 EMS covenants that admission to the Charter School shall be open to students on a non-discriminatory basis without regard to race, color, religion, national origin, creed, sex, ethnicity, sexual orientation, behavior, age, ancestry, special need, or proficiency in the English language, income or academic achievement, except as otherwise allowed under California law.

10.2 Expulsions will be made on the advisement of the Board of Managers of LLC.

ARTICLE 11 PERSONNEL AND TRAINING

11.1 LLC shall employ all certificated personnel of the Charter School and non-certificated personnel, such as Instructional Aides, that work in the learning centers. LLC shall have ultimate authority for the selection and removal of certificated employees and non-certificated employees of LLC (Charter School Employees).

11.2 EMS shall recruit, screen and recommend certificated and non-certificated individuals to LLC for employment by LLC.

11.3 All Charter School Employees shall have the experience and knowledge appropriate to the position for which they are employed;

11.4 All Charter School Employees shall meet standards set forth by California law, as applicable and such Employee's particular job description. Certificated employees shall meet requirements of the California Commission on Teacher Credentialing.

11.5 When necessary, LLC shall work with EMS to obtain State Department of Education waivers and shall work with EMS to expedite the certification process or alternative accreditation for all new or out-of-district personnel.

11.6 EMS shall provide training in its methods, curriculum, program, and technology to all teaching personnel. Such training shall be at LLC's expense, and may be held off-site, at locations selected by EMS. EMS will also provide team building events, at LLC's expense, for the benefit of LLC employees.

11.7 EMS will administer health and retirement benefits for LLC's employees, including all certificated and non-certificated staff.

11.8 LLC acknowledges and agrees that John Hall, Joan Hall, Jamie Hall, John Hall Jr. and William Toomey may have employment relationships with both EMS and LLC.

11.9 Personnel Policies

11.9.1 EMS and LLC shall comply with all applicable federal and state laws, concerning employee welfare, safety and health, including, without limitation, the requirements of federal law for a drug free workplace.

11.9.2 Neither EMS nor LLC will illegally discriminate against any employee or applicant for employment on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, marital status, or citizenship, in its recruitment, selection, training, utilization, termination or other employment-related activities.

ARTICLE 12 SUBCONTRACTING OF SERVICES

12.1 Subcontracting of Services. EMS reserves the right to subcontract any and all services specified in this Agreement to the District and/or to public or private subcontractors, as permitted by law.

12.2 Location of Performance. EMS reserves the right to perform non-instructional functions, such as purchasing materials or developing curriculum, off-site at EMS offices or remote locations, unless prohibited by federal, state laws, rules, or regulations.

ARTICLE 13 SCHOOL YEAR

13.1 School Year. The parties hereto agree that the Charter School shall be in session at least two hundred forty (240) days or more between July 1st and June 30th of each calendar year.

13.2 Calendar. Notwithstanding the above, the parties understand and agree that the Charter School will have a year-round, multi-track, staggered start calendar for the Programs, or, as necessary, any other calendar that would improve the delivery of instruction to students.

ARTICLE 14 STUDENT PRIVACY

14.1 Family Educational Rights and Privacy: Act. LLC shall instruct the District to designate EMS and its officers, employees, agents and representatives as having a legitimate educational interest such that they are entitled to access to education records under 20 U.S.C.A. 1232g, the Family Educational Rights and Privacy Act and under applicable California information and privacy laws. EMS, its officers and employees shall comply with the Family Educational Rights and Privacy Act at all times.

ARTICLE 15 WARRANTIES AND REPRESENTATIONS

15.1 Representations of LLC. LLC represents and warrants to EMS that: (i) it is an organization formed, existing and operating under the laws of the State of California; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligation; provided for under this Agreement and to contract with EMS for EMS to provide the services set forth in this Agreement on behalf of the Charter School (iii) the information, if any, LLC has furnished to EMS concerning LLC's finances, revenues, and student enrollment is accurate and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of

this Agreement by LLC is not a violation or breach of any other agreement between LLC and any other person or entity.

15.2 Representations of EMS. EMS represents and warrants to LLC that: (i) it is a Delaware corporation organized and existing under the laws of the State of Delaware; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligations provided for under this Agreement and to contract with the LLC to provide the services set forth in this Agreement on behalf of the Charter School; (iii) the information, if any, EMS has furnished to LLC concerning the EMS's finances and revenues is accurate and complete and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of this Agreement by EMS is not a violation or breach of any other agreement between EMS and any other person or entity.

ARTICLE 16 INDEMNIFICATION

16.1 Indemnity to Property or Persons. EMS shall indemnify and hold LLC and its members, managers, employees, officers, subcontractors, agents, representatives and authorized volunteers (collectively "the LLC Agents") harmless from and against any and all claims, demands, suits, costs, judgments, or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against LLC and/or the LLC Agents for injury to property or persons, occurring or allegedly occurring in, on or about the Charter School as a result of actions by EMS and/or by its employees, officers, directors, subcontractors, representatives, and agents (collectively "EMS's Agents") during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from LLC, EMS shall defend LLC and/or the LLC Agents in any action or proceeding brought thereon with counsel reasonably acceptable to LLC.

16.2 LLC shall indemnify and hold EMS and EMS's Agents harmless from and against any and all claims, demands, suits, costs, judgments or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against EMS and/or EMS's Agents for injury to property or persons, occurring or allegedly occurring in, on or about the Charter School as a result of actions by LLC and/or by LLC's Agents during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from EMS, LLC shall defend EMS and/or EMS's Agents in any action or proceeding brought thereon with counsel reasonably acceptable to EMS.

ARTICLE 17 TERMINATION AND CLOSURE

17.1 Termination. This Agreement may be terminated during the Term hereof pursuant to the provisions of this Article. Subject to Section 17.5 below, upon termination of this Agreement, the Charter School shall cease all operations.

17.2 LLC Termination for Cause. LLC may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For purposes of this Section, "Cause" means:

17.2.1 Material breach of this Agreement, which may include, but is not limited to, failure of EMS to provide services as required by this Agreement, or any other act or failure to act by EMS which undermines the joint purpose of this Agreement.

17.2.2 LLC may terminate for cause only if LLC has provided EMS written notice of the material breach and has allowed EMS a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If LLC makes a good faith reasonable determination that EMS's remedial action is unsatisfactory, LLC may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 17.5.

17.3 EMS Termination for Cause. EMS may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For the purposes of this Section, "Cause" means:

17.3.1 Material breach of this Agreement, which may include, but is not limited to, LLC's failure to adhere to the reasonable personnel, curriculum, program or similar recommendations of EMS with respect to the Charter School, which EMS reasonably determines to be necessary for the implementation of EMS's Program, LLC's failure to obtain waivers from third parties as provided for in this Agreement which EMS reasonably determines to be necessary for the implementation of EMS's Program, LLC's failure to make payments as required by this Agreement; or any other failure which undermines the joint purposes of this Agreement; or

17.3.2 EMS may terminate for cause only if EMS has provided written notice of the breach to LLC and has allowed EMS a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If EMS makes a good faith reasonable determination that LLC's remedial action is unsatisfactory, EMS may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 17.5.

17.4 Statutes or Legislative Changes. In the event that any enactment, repeal, promulgation or withdrawal of any federal, state, or local law, regulation, or court or administrative decision or order materially affects the operation of the Charter School in conformity with this Agreement, or otherwise constitutes a violation of law, or otherwise has a material adverse effect on EMS's ability to operate the Charter School, EMS or LLC may elect to deliver written notice to the other of such changes and the resulting consequences. Upon delivery of such notice, the parties shall promptly commence negotiations in good faith regarding a mutually agreeable approach (including without limitation, an amendment to the Agreement) to address the statutory and/or legislative changes. If despite such good faith negotiations the parties are unable to agree upon an acceptable approach to address the statutory and/or legislative changes, then either party may elect to terminate the Agreement without further obligation or liability to the other, by delivering written notice of termination to the other at least one hundred eighty (180) days in advance of the effective date of such termination, or in such lesser time as is reasonable under the circumstances. Among other events, the foregoing section applies to actions that may be made by the State Board of Education, Department of Education and the Advisory Commission on Charter Schools.

17.5 Termination Notice and Other Termination Procedure

17.5.1 Unless otherwise expressly provided herein, each party shall give the other party at least ninety (90) days advance written notice of a termination of this Agreement prior to the end of its Term.

17.5.2 Notwithstanding any other provision in this agreement, each party shall use its good faith best efforts to avoid a termination of the Agreement, which becomes effective during the middle of a school year because of the disruption to the educational program and the students. Therefore, in the event this agreement is terminated by either party prior to the end of the Term, absent unusual and compelling circumstances, the termination will not become effective until the end of the school year.

17.5.3 In the event of termination of this Agreement for any reason, EMS shall provide reasonable assistance to LLC for up to ninety (90) days after the effective date of termination of the Agreement, to assist in the closure of the Charter School and the transition of students.

17.5.4 In the event LLC terminates this Agreement prior to the end of the Term, regardless of the reason, then LLC shall, for the duration of the Term, be obligated to reimburse EMS for all expenses incurred by EMS on account of the leases and all other reimbursable items listed in Article 5.

17.5.5 Upon closure of the Charter School, for any reason, the parties shall follow the closure procedures listed in Exhibit A.

ARTICLE 18 INSURANCE

18.1 Liability Insurance

18.1.1 EMS, on behalf of the Charter School and the District, shall secure and maintain, insurance, including, but not limited to general liability insurance coverage for bodily injury and property damage for the protection of the Charter School, the District, EMS, and their respective officers, directors, board members, employees, students, teachers and volunteers. Such insurance policies shall be issued by an insurance company or companies selected by EMS and licensed to do business in the state of California. Except as otherwise agreed in writing by LLC and EMS, all such insurance coverage shall be primary insurance, with deductibles or SIR's which are outside the policy limits, and shall be occurrence based insurance (and not claims made insurance). LLC shall pay directly or reimburse EMS for its pro-rata share of such cost.

18.1.2 LLC shall require that its contractors, if providing transportation or other services to the Charter School shall name the Charter School and EMS, and their respective officers, directors, board members, employees, and agents as additional insured under their respective commercial general liability and automobile liability insurance policies for personal injury and property damage; and if such services are provided directly by LLC rather than by contracted service, then such persons shall be named as an additional insured under corresponding LLC insurance policies.

18.1.3 The insurance policies maintained by each party pursuant to this Agreement shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced, in coverage or limits, except after thirty (30) days prior written notice to EMS and LLC.

The parties shall furnish one another certified copies of the insurance or certificates of insurance which name one another as additional insured as additional insured and which demonstrate compliance with this Agreement.

18.2 Workers' Compensation Insurance. EMS, on behalf of LLC, shall secure and maintain workers' compensation insurance covering LLC employees and authorized volunteers. Such insurance policies shall be issued by an insurance company or companies licensed to do business in the state of California. LLC shall pay directly or reimburse EMS for its pro-rata share of such cost.

18.3 Coordination of Risk Management. The parties shall coordinate risk management activities with one another, which shall include the prompt reporting of any and all pending or threatened claims, filing of timely notices of claim, cooperating fully with one another in the defense of any claims and complying with any defense and reimbursement provisions of state governmental immunity laws and applicable insurance policies. The parties shall give each other prompt written notice of any claim arising out of the operation of the Charter School. Neither EMS nor LLC shall compromise, settle, negotiate or otherwise affect any disposition of any claim or potential claims asserted against it to the extent such claims are insured by or through the other party, without the approval of the other party.

ARTICLE 19 CONFIDENTIAL AND PROPRIETARY INFORMATION

19.1 Proprietary Marks and Intellectual Property. LLC acknowledges and agrees as follows:

19.1.1 EMS owns and has all proprietary rights in and to the name "Opportunities For LearningSM", including but not limited to, all trademarks, trade names, service marks, industrial designs, insignias, logos, and designations (as presently or hereafter comprised) in connection therewith (the "Proprietary Marks");

19.1.2 EMS also has developed, purchased and owns curriculum materials, software and other intellectual property to be used in connection with the operation of the Charter School, including but not limited to all copyrights, patents, source codes, technology and trade secrets (as presently or hereafter comprised) in connection therewith (the "Intellectual Property");

19.1.3 EMS has extensively invested in developing and improving the Proprietary Marks and Intellectual Property and in marketing, refining, advertising, promoting and publicizing the same, all of which have become well and favorably known to the public throughout the United States and elsewhere, and, as a result of such efforts, EMS has acquired a valuable goodwill therein; and,

19.1.4 The public has and will come to associate said Proprietary Marks and Intellectual Property exclusively with EMS and the services offered and rendered by EMS through the various Opportunities For Learning charter schools.

19.2 Validity and Use of Proprietary Marks and Intellectual Property. LLC hereby acknowledges the validity of the Proprietary Marks and Intellectual Property identified above and acknowledges that same are the sole property of EMS, LLC, through the

Charter School, shall use such Proprietary Marks and Intellectual Property only for so long as the right and license granted here remains in force, and only in connection with the operation of the Charter School within the District, in the manner and for the purposes specified in this Agreement. LLC, shall not, either during or after the term of this Agreement, do anything, or aid or assist any other party to do anything, which would infringe upon, harm, or contest the rights of EMS in any of its Proprietary Marks and/or Intellectual Property, or in any other mark or names which incorporate the words "Opportunities For LearningSM". LLC shall not use any mark or name other than as herein licensed in connection with the conduct of the Charter School, and shall not place any name or mark other than the names or marks originally appearing thereon, on any materials obtained from EMS. LLC further agrees that any additional rights that may develop in any of EMS's Proprietary Marks and/or Intellectual Property in the future, whether as trade names, trademarks, service marks, or copyrighted materials, shall inure and accrue to the benefit of EMS.

19.3 License. Subject to the terms and conditions contained herein, EMS hereby grants to LLC, and LLC hereby accepts from EMS, a non-exclusive license to use the Proprietary Marks and Intellectual Property during the Term for the limited purpose of establishing and operating the Charter School.

19.4 Designation of Charter School. Subject to the terms and conditions contained herein, the Charter School shall be operated, advertised and promoted under the designation "Opportunities For LearningSM" or under any other name or names as EMS may from time to time designate, and under no other name or designation whatsoever, and without the addition of any prefix, suffix or any other name or names; notwithstanding the foregoing, LLC may refer to the Charter School as the "Opportunities For LearningSM Charter School – Stockton."

19.5 Prohibitions on Use. LLC agrees not to interfere in any manner with or attempt to prohibit the use of the Proprietary Marks and Intellectual Property by any other entity. LLC further agrees to execute any and all other necessary papers, documents, and assurances to effectuate this purpose and agrees to cooperate fully with EMS or its agents in securing all necessary and required authority from any Secretary of State, licensing authority, or any other state or federal authority to the use of the Proprietary Marks and Intellectual Property wherever needed. The grant of the License pursuant to this Agreement, does not grant exclusivity of territory or use to LLC.

19.6 Ownership of Proprietary Information. LLC agrees that EMS shall own all copyright and other proprietary rights in and to the Proprietary Marks and intellectual Property, including but not limited to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by EMS, its employees, agents or subcontractors, or by any individual employed at the Charter School, including LLC or District employees working for, or supervised by, EMS, which are developed during the Term of this Agreement or any renewal Terms hereof EMS shall have the sole and exclusive right to license such materials for use by other school districts or customers, or to modify and/or sell such materials to other school districts and customers. EMS may disclose such proprietary information, including that which is currently in existence as well as that which may be created in the future. LLC shall take all measures reasonably necessary to assure that none of its personnel or agents disclose, publish,

copy, transmit, modify, alter or utilize the Proprietary Marks and Intellectual Property without EMS's prior written consent.

19.7 Unauthorized Use. LLC shall promptly report to EMS any unauthorized use of EMS's Proprietary Marks and/or Intellectual Property that comes to its attention in any manner whatsoever. If requested by EMS, LLC will cooperate with EMS in precluding unauthorized use of EMS's Proprietary Marks and Intellectual Property, or any confusingly similar mark or property.

19.8 Attorney-In-Fact. LLC shall execute and deliver any and all assignments, instruments and documents and take any and all other actions to ensure that the Proprietary Marks and Intellectual Property shall belong free of charge and exclusively to EMS (or any other entity designated by EMS). LLC hereby irrevocably designates and appoints EMS as its agent and attorney-in-fact to act on its benefit to execute, acknowledge, deliver, and file (and to swear to such execution, acknowledgement, delivery and filing of any and all instruments, documents and agreements and to perform any and all other acts and deeds deemed necessary or desirable to further the purposes of this Section 15. Such power of attorney shall be irrevocable, coupled with an interest and shall survive the dissolution of LLC

19.9 Confidential Information.

19.9.1 LLC acknowledges and agrees that during the Term, it will have access to certain confidential information of EMS, including but not limited to confidential or proprietary business information, curriculum materials, software, property rights and data, know-how, trade secrets, customer and vendor lists, supplier and distributor lists, billing practices and procedures, operating manuals and procedures, pricing policies, operational methods, marketing plans or strategies, financial information, budget information and procedures of EMS ("the Confidential formation").

19.9.2 From and after the commencement of the Term, LLC shall keep secret and retain in strictest confidence and shall not use for the benefit of itself or others, all or any of the Confidential Information.

19.9.3 Promptly following the termination of this Agreement for any reason, LLC shall immediately deliver to EMS all Confidential Information in its possession, together with all notes, records, memoranda, correspondence files and other papers, magnetic tapes, software, discs, manuals and other information in any form relating to EMS (including all copies of these materials). LLC acknowledges that it does not have and cannot acquire any rights to these materials.

19.10 Further Obligations Following Termination. Upon termination of this Agreement for any reason whatsoever, LLC shall immediately and permanently discontinue the use of any and all of the Proprietary Marks and/or Intellectual Property, or any marks, names, or indicia which in the opinion of EMS are confusingly similar thereto, or any other materials which may in any way indicate or tend to indicate that LLC and/or the Charter School is or was in way associated with EMS. At such time, LLC shall also immediately and permanently remove or destroy or return to EMS, at EMS's option, at LLC's expense, all curriculum materials, software, signs, stationary, letterheads, forms, printed matter, promotional displays, and other materials containing the Proprietary Marks and/or

the Intellectual Property. LLC shall, at such time, also immediately and permanently discontinue any use of the name "Opportunities For Learning", or a confusingly similar name thereto in connection with the operation of a charter school.

ARTICLE 20 DISPUTE RESOLUTION PROCEDURE

20.1 Mediation. In the event that any controversy claim or dispute between the parties arises relating to the terms of this Agreement, or the breach thereof, the parties hereby agree to initially attempt to settle such disputes by a non-binding mediation, before a single neutral mediator (the "Mediator"), administered by J.A.M.S./ENDISPUTE. The Mediator shall be assigned at random by J.A.M.S./ENDISPUTE and shall take place within Los Angeles County.

20.1.1 The mediation shall commence within forty-five (45) calendar days from the date of the receipt of the Mediation Demand sent by the aggrieved party ("Receipt Date"), and shall be concluded no later than sixty (60) calendar days from the Receipt Date. In determining the Receipt Date, the notice provisions of this Agreement shall apply.

20.1.2 The administrative costs of conducting the mediation shall be shared equally between the parties.

20.2 Binding Arbitration. In the event that the parties are unable to resolve any dispute regarding relating to the terms of this Agreement, or the breach thereof, through non binding mediation pursuant to Section 20.1, above, such dispute shall be determined by binding arbitration in accordance with the rules of J.A.M.S./ENDISPUTE. The parties may select any third party arbitrator, including a retired jurist, or other independent party. Any determination of the arbitrator shall be binding on the parties, and may be entered in any court with proper jurisdiction for enforcement thereof. The costs of the arbitrator shall be borne equally by the parties.

ARTICLE 21 MISCELANEOUS

21.1 Standard of Interpretation. Except as otherwise provided herein, the parties shall perform all actions required herein in a reasonable and timely manner.

21.2 Notices. Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if served either personally or, if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. If such notice, demand or other communication be served personally, service shall be conclusively deemed made at the time of such personal service. If such notice, demand or other communication be given by mail, such shall be conclusively deemed given forty-eight (48) hours after the deposit thereof in the United States mail, addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth.

21.4 Governing Law and Construction. This Agreement shall, in all respects, be governed by the laws of the State of California applicable to agreements executed and to be wholly performed within the State of California Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there

is any conflict between any provision contained herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail but the provision of this Agreement which is affected shall be construed and limited only to the extent necessary to bring it within the requirements of the law.

21.5 Severability. The provisions of this Agreement are severable, and if any one or more provisions shall be determined to be judicially unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

21.6 Arm's Length Agreement. This Agreement has been negotiated at arm's length and between persons (or their representatives) sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to affect the purpose of the parties and this Agreement.

21.7 Entire Agreement. This Agreement, together with the Charter Agreement, constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all other written or oral negotiations, understandings or agreements among the parties with respect to the rights and obligations assumed herein and contains all of the covenants and agreements among the parties with respect to such rights and obligations.

21.8 Binding Agreement. The party's rights and obligations under this Agreement are personal and shall not be assignable. Subject to the foregoing, each of the terms and provisions contained herein shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors, and assigns.

21.9 Cumulative Remedies. No remedy conferred by any provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. Except as otherwise provided herein, the election of anyone or more remedies by any party, shall not constitute a waiver of the right to pursue other available remedies.

21.11 Modifications. No amendment, change or modification of this Agreement shall be valid unless in writing, stating that it amends or modifies this Agreement, and signed by all of the parties hereto.

21.12 Additional Acts. Each of the parties hereto shall execute and deliver any and all additional papers, documents and other assurances and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the parties hereto.

21.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21.14 Waiver. The waiver by any party to this Agreement of the breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach, whether of the same or another provision of this Agreement.

21.15 Captions. The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the section at the head of which it appears, the section and not such caption shall control and govern in the construction of this Agreement. The reference to paragraph numbers herein shall be deemed to refer to the numbers preceding each section.

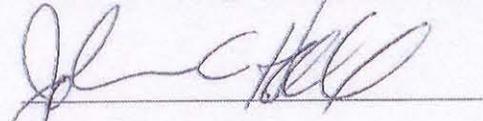
21.16 Force Majeure. Neither party shall be liable if the performance of any part or all of this contract is prevented, delayed, hindered or otherwise made impracticable or impossible by reason of any strike, flood, riot, fire, explosion, war, act of God, sabotage, accident or any other casualty or cause beyond either party's control and which cannot be overcome by reasonable diligence and without unusual expense.

21.17 Nondiscrimination. EMS covenants and agrees that it shall not discriminate against any person or group thereof upon the basis of race, color, religion, sex, ancestry, physical handicap, marital status or national origin in the operation of the Charter School. EMS shall comply with applicable federal and state laws, rules, and regulations pertaining to nondiscrimination of hiring and employment, and as to admission of and treatment of students.

21.18 Jointly Drafted Agreement. The parties acknowledge that this Agreement is the product of the combined involvement and drafting of both parties hereto and that neither party maybe considered or deemed the primary drafter of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Education Management SystemS, Inc., a California Corporation

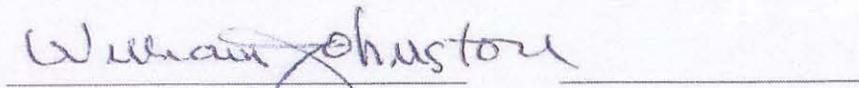


By: John Hall
Title: President

7-27-09

Date

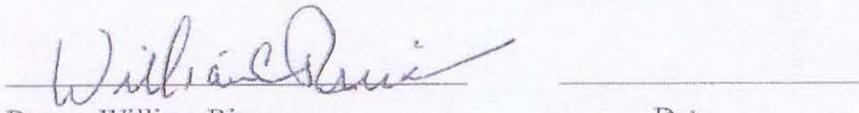
EMS-WSH, LLC, a California Limited Liability Company



By: William Johnston
Title: Member of the Board of Managers

Date

EMS-WSH, LLC, a California Limited Liability Company



By: William Rivera
Title: Member of the Board of Managers

Date

Exhibit A

Charter Petition

Exhibit A

CHARTER AGREEMENT

(As referenced on page 2, ARTICLE 1, Section 1.2)

Exhibit B
EMS Services

- (a) Provide Opportunities for Learning Academic Recovery educational program that is specifically designed for drop outs and at risk youth and meets all requirements of the charter agreement between LLC and the William S. Hart Unified School District (the Academic Recovery Program),
- (b) Implement, as deemed necessary, a leadership development program and youth impact program (Extra Programs),
- (c) Identify and produce curriculum and instructional materials for the Programs (including all above Opportunities for Learning Programs) (see cost allocation in section 8.5),
- (d) Train LLC teachers and instructional aides in delivery of the Programs to students,
- (e) Provide administrative support staff to assist Charter School,
- (f) Provide all human resources services needed by LLC, including but not limited to advertising for and recruiting teachers and instructional employees, screening prospective new employees, making staffing and employment recommendations to LLC, planning and conducting team building events for LLC staff, and coordinating all employee benefits,
- (g) Provide computer for use of each teacher (see cost allocation in Article 6),
- (h) Provide administrative services needed for operation of the school, including program development, facilities management and management of day to day operations,
- (i) Obtain waivers as may be necessary for operation of the charter school's multi-track calendar,
- (j) Provide all accounting services, including all bookkeeping and accounting services,
- (k) Arrange for an annual audit of the charter school to be performed by an auditing firm approved by LLC,
- (l) Provide to LLC the following reports: monthly report of expenses incurred for reimbursement, monthly ADA reports, reports required for the sponsoring District and California Department of Education, J200 budget reports, J18 and 19 filings, and year to date budget variance reports. Upon reasonable request, EMS shall provide additional financial data and other data concerning the charter school to LLC in a format and structure reasonably directed by LLC.
- (m) Locate and secure facilities adequate to meet the needs of the charter school and the Program, lease or otherwise contract with third parties for the use of facilities for school purposes,
- (n) Provide all property management services needed to maintain the charter school's learning centers and to keep the learning centers in clean and professional order and repair,

- (o) Furnish all learning centers with adequate desks, chairs, books, book cases and other furnishings appropriate to maintain the learning centers' clean and professional appearance and suitable for the conduct of the charter school (see cost allocation in Article 6),
- (p) Provide computers for students in each learning center with Internet connections and printing capabilities (see cost allocation in Article 6),
- (q) Procure all insurance needed for operation of the charter school (see cost allocations in Article 18),
- (r) Supervise the providing of special education services,
- (s) Periodically, as requested by LLC, arrange for independent assessments as described in the Agreement performed by Dr. James Catterall of the UCLA Graduate School of Education (see cost allocation in section 7.4).

SERVICES AND PROPERTY AGREEMENT BETWEEN EDUCATION
MANAGEMENT SYSTEMS, INC. AND EMS-BP, LLC

This SERVICES AND PROPERTY AGREEMENT ("Agreement") is made and entered into and effective, July 1, 2009, by and between Education Management Systems, Inc., a California corporation ("EMS"), and EMS-BP, LLC, a California Limited Liability Company ("LLC") with reference to the following:

RECITALS

- A. EMS provides management and other services to charter schools and has expertise in home schooling and in providing educational services to at risk students using independent study instructional modalities in its Opportunities For Learning program;
- B. LLC was created to develop new ways to educate children within the public school system through the establishment of and/or operation of charter schools;
- C. On July 1, 2001 the Baldwin Park Unified School District approved the petition for charter submitted by LLC to operate an Opportunities For Learning charter school serving at risk students;
- D. The charter petition sets forth the governance structure for the charter school and provides, among other things, that the management and day-to-day operation of the charter school may be delegated to outside parties, including, but not limited to EMS;
- E. LLC desires to contract for services, including school management, property management, accounting and human relations services, to assist it in the operation of the charter school;
- G. EMS owns intellectual property, including its proprietary name, Opportunities For Learning, and curriculum for use in independent study modalities that LLC desires to use in its charter school programs;
- H. EMS has leased certain improved real property and furnished the real property for use as charter school learning centers and LLC desires the use of said facilities for its charter school;
- I. The parties intend that the terms of this Agreement shall be consistent with the terms of the charter petition approved by the Baldwin Park Unified School District; and

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I RELATIONSHIP

1.1 Services and Property Agreement. Under this Agreement, LLC hires EMS and EMS hereby covenants with the LLC to perform the duties hereinafter described.

1.2 Charter Agreement. The parties understand and acknowledge that LLC is bound by and subject to, all the terms and conditions of the Charter Agreement between LLC and the Baldwin Park Unified School District (hereafter referred to as the "District"), which charter was approved by the District on July 01, 2001 (hereafter referred to as the "Charter Agreement") and that by entering into this Agreement, EMS's services shall comply with the applicable terms and conditions of the Charter Agreement. A copy of the Charter Agreement is attached as Exhibit "A" and is incorporated herein. The Opportunities For Learning Charter School operated pursuant to the Charter Agreement is referred to as the "Charter School."

1.3 Independent Contractor. The parties to this Agreement intend that:

1.3.1 The relationship between EMS and LLC created by this Agreement is that of an independent contractor, and not a partnership or employer- employee or other relationship. No agent, employee, or servant of EMS shall be deemed to be the employee, agent or servant of LLC or the District. The manner and means of conducting the work pursuant to this Agreement is under the sole control of EMS and EMS will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement; and,

1.3.2 No agent, employee, or servant of the LLC shall be deemed to be the employee, agent or servant of EMS. LLC will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement.

ARTICLE 2 TERM

2.1 Unless earlier terminated pursuant to this Agreement, the term ("Term") of this Agreement shall commence on July 1, 2009 (the "Commencement Date"), and shall continue through June 30, 2014 unless charter terminates prior.

ARTICLE 3 SERVICES TO BE PROVIDED BY EMS

3.1 During the Term of this Agreement, except as otherwise provided, EMS shall be responsible for all functions that relate to educational services, facilities management, human resources management, administration and operation of the Charter School, as required by the Charter Agreement (hereafter referred to as the "EMS Services"). Such services are more particularly identified on Exhibit "B," which is attached hereto, and incorporated herein.

3.2 In addition, EMS shall locate and lease on behalf of the Charter School, for the duration of the Term, facilities in which the Charter School can operate its learning centers as described in Article 5.

ARTICLE 4 EMS COMPENSATION

4.1 On the 5th day of each calendar month during the Term of this Agreement, LLC shall cause to be paid to EMS a monthly fee for the EMS Services. The monthly fee shall be calculated based upon the number of students enrolled in the Charter School learning centers operated by EMS in the given month. LLC shall pay EMS the amount of Twelve Thousand One Hundred Twenty Seven Dollars and Fifty Cents (\$12,127.50) per month per learning center, when the center enrollment has reached or exceeded 150 students for the first year of this Agreement. The fee shall be prorated at fifty percent (50%) upon an enrollment of 75 or more students. The monthly fee shall increase by five percent (5%) per annum in each consecutive year unless otherwise agreed to by the parties in writing. The monthly fee shall not exceed 15% of the total revenue of the charter. The monthly fee will be in addition to LLC's obligation to reimburse expenses as provided in Article 5 below.

ARTICLE 5 REIMBURSABLE LEASE EXPENSES

5.1 LLC shall reimburse EMS or pay directly any and all rentals (including common area charges and other charges assessed directly by the landlord as part of each respective lease) advanced by EMS for the use of commercial premises for charter school learning centers. EMS has entered into and shall maintain for the benefit of Charter School, leases of commercial real property and office space to provide learning centers for the students of the charter school. The learning centers are all used for Charter School purposes. 5.2

LLC shall also reimburse EMS or pay directly all expenses for utilities, including telephone, power, water, trash and other utilities used in connection with the foregoing learning centers.

5.3 LLC acknowledges that prior to entry into this Agreement, it has reviewed or was provided opportunity to review leases for each of the learning centers in which it currently operates. LLC may, on reasonable notice to EMS inspect the foregoing leases.

5.4 LLC acknowledges that the terms of certain of the leases listed above may expire or terminate prior to the end to of the Term of this Agreement. In such event, EMS agrees to locate and secure, on behalf of the Charter School, suitable replacement premises. EMS will obtain the prior written approval of LLC before adding or subtracting the number of learning centers devoted to the Charter School.

ARTICLE 6 FACILITIES

6.1 EMS, on behalf of the Charter School, shall be responsible for the identification, location and acquisition of space for the Charter School (the 'Charter School Site').

6.2 The Charter School Site will meet the state and local safety standards. The Charter School will use facilities that meet all city or local ordinances for the health and safety of its faculty and students. Facilities will be selected on the basis of identification of areas where the greatest numbers of potential students can be served.

6.3 EMS shall be responsible for the purchase and installation of technology (computers, modems, and phone units) integral to the Charter School. LLC will pay directly or reimburse EMS for these costs.

6.4 EMS shall be responsible for furnishing and maintaining for the Charter School Sites, appropriate and sufficient tables, chairs, materials and supplies to conduct the Charter School. LLC will pay directly or reimburse EMS for these costs.

6.5 EMS will secure insurance reasonably suitable to protect the Charter School for personal and property damage caused by hazards at the Charter School Site. LLC will pay directly or reimburse EMS for their allocated portion of such expense.

6.6 EMS will ensure that, at a minimum, each of the learning centers are open to Charter School teachers and students from 8:00 am, to 5:00 p.m. (closed one hour for lunch), each day, all year around, excluding weekends and holidays.

ARTICLE 7 DATA AND ASSESSMENTS

7.1 EMS shall provide information to the LLC governing board sufficient to enable the LLC governing board to monitor the educational performance and efficiency of the Charter School.

7.2 EMS shall make available to LLC the following reports: monthly report of expenses incurred for reimbursement, monthly ADA reports, reports required for the sponsoring District and California Department of Education, J200 budget reports, J18 and 19 filings, and year to date budget variance reports. Upon reasonable request, EMS shall provide additional financial data and other data concerning the Charter School to LLC in a format and structure reasonably directed by LLC.

7.3 LLC shall have the right, upon fifteen days notice to EMS, to conduct an audit of EMS's financial and other records relating to the operation of the Charter School. LLC shall pay the cost of such an audit and such audit may be performed by any Certified Public Accountant of LLC's choosing.

7.4 When requested by LLC, EMS will contract periodically with James Catterall, Ph.D. of the UCLA Graduate School of Education to conduct an independent evaluation of the Charter School. The results of Dr. Catterall's evaluation will be provided to LLC. This independent evaluation will examine aspects of the Charter School's effectiveness and quality of the Program. At a minimum, the evaluation will evaluate progress toward achieving the goals of the Charter School. The evaluation will use both qualitative and quantitative data. The evaluator will analyze standardized test data and incorporate the results into the evaluation. In addition, the data relating to baseline student Performance Plans; educational and community agency services rendered to the Charter School's students; and enrollment, academic and attendance records will be analyzed. Qualitative data will be collected through structured and unstructured interviews and questionnaires

with Charter School staff, students, parents and community agency personnel. LLC shall pay directly or reimburse EMS for the cost of any Catterall evaluation(s) requested by the LLC.

ARTICLE 8 EDUCATIONAL PROGRAM AND CURRICULUM

8.1 EMS shall provide an education program (the "Program") to be used in connection with the Charter School's educational program. The Program shall be initially structured as follows:

8.1.1 The curriculum developed or purchased by EMS shall introduce instruction in higher order skills as early as possible in the Program, in order to offer interesting and challenging curriculum for the purpose of allowing students to progress as quickly as their capabilities will allow. The Program will allow students to use the knowledge that they are accumulating in novel ways to facilitate problem- solving and skill development. Materials shall be designed in a language and format that are readily accessible, and students will be allowed to complete course work at their own pace, as the Program will be formulated based on an initial assessment of the student's skill levels in reading, math and other core courses. The key components of the Program are as follows:

8.1.2 Students will be required to concentrate their learning efforts on a maximum of one or two core subjects, in order to achieve greater depth of learning in each subject and to focus the students' attention on specific areas as a way to promote maximum efficiency for faster results.

8.1.3 Students will participate in independent study programs that will allow each student to tailor his or her work pace to meet personal needs and goals.

8.1.4 Students will be placed in core subjects of reading, English and Math based on tested achievement levels. Advancement will be determined on actual mastery of skills. Learning will be thus focused on the specific skills and tasks, which will result in the maximum advancement in the minimum time.

8.2 EMS shall implement the Charter School's curriculum in a manner that is consistent with the Charter Agreement.

8.3 The parties hereto understand and agree that an essential principle of the Charter School's operation is its flexibility, adaptability and capacity to change in the interests of continual improvements and efficiency and, further, that the parties hereto are interested in results and not inflexible prescriptions. To that end, EMS may modify, alter, change and/or amend the Program or curriculum as necessary, without the prior approval or consent of LLC. However, LLC shall receive written notice of any material changes to the charter school curriculum.

8.4 EMS shall ensure that the Charter School, including its curriculum, will be nonreligious, nonsectarian and shall not illegally discriminate against any student on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, special need, marital status or citizenship.

8.5 LLC shall pay directly or reimburse EMS for the cost of all curriculum materials.

ARTICLE 9 MANAGEMENT OF THE CHARTER SCHOOL

9.1 The Charter School shall be managed under the ultimate authority of the LLC through individuals designated by the LLC. Unless and until other individuals are designated, the LLC has designated John Hall to serve as President and Joan Hall, Jamie Hall, and John Hall Jr. to serve as Vice Presidents. The LLC has engaged William Toomey to serve in the capacity as Deputy Superintendent of Educational Operations.

9.2 Except as may be provided in Article 16 (Indemnification) EMS shall not be liable to LLC for any loss or damage sustained by LLC, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, or a knowing violation of law by EMS. EMS shall perform its duties in good faith, in a manner it reasonably believes to be in the best interests of the Charter School and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

9.3 EMS is not obligated to devote all of its time or business efforts to the affairs of the Charter School. EMS shall devote the time, effort and skill reasonably necessary for the operation of the Charter School.

9.4 EMS and its officers, directors, shareholders, partners, members, agents, employees and/or affiliates may engage or invest in any business activity of any type or description, including, without limitation, those that might be the same as or similar to the Charter School's business and that might be in direct or indirect competition with the Charter School. Neither the LLC, nor the Charter School shall have any right in or to such other activities or to the income or proceeds derived there from. EMS shall not be obligated to present any investment opportunity or prospective economic advantage to LLC, even if the opportunity is of the character that, if presented to LLC, could be invested in by LLC. LLC acknowledges that EMS and its affiliated entities own and/or manage other businesses, including businesses that may compete with the LLC and for EMS's time. LLC hereby waives any and all rights and claims which it may otherwise have against EMS and its officers, directors, shareholders, partners, members, agents, employees and affiliates as a result of any such competitive activities.

9.5 Notwithstanding that it may constitute a conflict of interest, EMS may, and may cause its affiliated entities to, engage in any transaction (including, without limitation, the purchase, sale, lease or exchange of any property, the lending of any money or property to LLC and/or the Charter School or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) with the Charter School and/or LLC so long as (a) such transaction is not expressly prohibited by this Agreement; and (b) the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Charter School and/or LLC and are at least as favorable to the Charter School and/or LLC as those that are generally available from persons capable of similarly performing them and in similar transactions between parties operating at arm's length; and (c) are approved by LLC's Board of Managers.

9.6 In addition to any other duties or obligation of EMS arising under this agreement, EMS shall ensure that, in the event that the LLC shall close a charter school operated by

it, all applicable legal requirements established by the California Department of Education or other government entity shall be met.

ARTICLE 10 STUDENT ADMISSION AND STANDARDS

10.1 EMS covenants that admission to the Charter School shall be open to students on a non-discriminatory basis without regard to race, color, religion, national origin, creed, sex, ethnicity, sexual orientation, behavior, age, ancestry, special need, or proficiency in the English language, income or academic achievement, except as otherwise allowed under California law.

10.2 Expulsions will be made on the advisement of the Board of Managers of LLC.

ARTICLE 11 PERSONNEL AND TRAINING

11.1 LLC shall employ all certificated personnel of the Charter School and non-certificated personnel, such as Instructional Aides, that work in the learning centers. LLC shall have ultimate authority for the selection and removal of certificated employees and non-certificated employees of LLC (Charter School Employees).

11.2 EMS shall recruit, screen and recommend certificated and non-certificated individuals to LLC for employment by LLC.

11.3 All Charter School Employees shall have the experience and knowledge appropriate to the position for which they are employed;

11.4 All Charter School Employees shall meet standards set forth by California law, as applicable and such Employee's particular job description. Certificated employees shall meet requirements of the California Commission on Teacher Credentialing.

11.5 When necessary, LLC shall work with EMS to obtain State Department of Education waivers and shall work with EMS to expedite the certification process or alternative accreditation for all new or out-of-district personnel.

11.6 EMS shall provide training in its methods, curriculum, program, and technology to all teaching personnel. Such training shall be at LLC's expense, and may be held off-site, at locations selected by EMS. EMS will also provide team building events, at LLC's expense, for the benefit of LLC employees.

11.7 EMS will administer health and retirement benefits for LLC's employees, including all certificated and non-certificated staff.

11.8 LLC acknowledges and agrees that John Hall, Joan Hall, Jamie Hall, John Hall Jr. and William Toomey may have employment relationships with both EMS and LLC.

11.9 Personnel Policies

11.9.1 EMS and LLC shall comply with all applicable federal and state laws, concerning employee welfare, safety and health, including, without limitation, the requirements of federal law for a drug free workplace.

11.9.2 Neither EMS nor LLC will illegally discriminate against any employee or applicant for employment on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, marital status, or citizenship, in its recruitment, selection, training, utilization, termination or other employment-related activities.

ARTICLE 12 SUBCONTRACTING OF SERVICES

12.1 Subcontracting of Services. EMS reserves the right to subcontract any and all services specified in this Agreement to the District and/or to public or private subcontractors, as permitted by law.

12.2 Location of Performance. EMS reserves the right to perform non-instructional functions, such as purchasing materials or developing curriculum, off-site at EMS offices or remote locations, unless prohibited by federal, state laws, rules, or regulations.

ARTICLE 13 SCHOOL YEAR

13.1 School Year. The parties hereto agree that the Charter School shall be in session at least two hundred forty (240) days or more between July 1st and June 30th of each calendar year.

13.2 Calendar. Notwithstanding the above, the parties understand and agree that the Charter School will have a year-round, multi-track, staggered start calendar for the Programs, or, as necessary, any other calendar that would improve the delivery of instruction to students.

ARTICLE 14 STUDENT PRIVACY

14.1 Family Educational Rights and Privacy: Act. LLC shall instruct the District to designate EMS and its officers, employees, agents and representatives as having a legitimate educational interest such that they are entitled to access to education records under 20 U.S.C.A. 1232g, the Family Educational Rights and Privacy Act and under applicable California information and privacy laws. EMS, its officers and employees shall comply with the Family Educational Rights and Privacy Act at all times.

ARTICLE 15 WARRANTIES AND REPRESENTATIONS

15.1 Representations of LLC. LLC represents and warrants to EMS that: (i) it is an organization formed, existing and operating under the laws of the State of California; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligation; provided for under this Agreement and to contract with EMS for EMS to provide the services set forth in this Agreement on behalf of the Charter School (iii) the information, if any, LLC has furnished to EMS concerning LLC's finances, revenues, and student enrollment is accurate and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of

this Agreement by LLC is not a violation or breach of any other agreement between LLC and any other person or entity.

15.2 Representations of EMS. EMS represents and warrants to LLC that: (i) it is a Delaware corporation organized and existing under the laws of the State of Delaware; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligations provided for under this Agreement and to contract with the LLC to provide the services set forth in this Agreement on behalf of the Charter School; (iii) the information, if any, EMS has furnished to LLC concerning the EMS's finances and revenues is accurate and complete and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of this Agreement by EMS is not a violation or breach of any other agreement between EMS and any other person or entity.

ARTICLE 16 INDEMNIFICATION

16.1 Indemnity to Property or Persons. EMS shall indemnify and hold LLC and its members, managers, employees, officers, subcontractors, agents, representatives and authorized volunteers (collectively "the LLC Agents") harmless from and against any and all claims, demands, suits, costs, judgments, or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against LLC and/or the LLC Agents for injury to property or persons, occurring or allegedly occurring in, on or about the Charter School as a result of actions by EMS and/or by its employees, officers, directors, subcontractors, representatives, and agents (collectively "EMS's Agents") during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from LLC, EMS shall defend LLC and/or the LLC Agents in any action or proceeding brought thereon with counsel reasonably acceptable to LLC.

16.2 LLC shall indemnify and hold EMS and EMS's Agents harmless from and against any and all claims, demands, suits, costs, judgments or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against EMS and/or EMS's Agents for injury to property or persons, occurring or allegedly occurring in, on or about the Charter School as a result of actions by LLC and/or by LLC's Agents during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from EMS, LLC shall defend EMS and/or EMS's Agents in any action or proceeding brought thereon with counsel reasonably acceptable to EMS.

ARTICLE 17 TERMINATION AND CLOSURE

17.1 Termination. This Agreement may be terminated during the Term hereof pursuant to the provisions of this Article. Subject to Section 17.5 below, upon termination of this Agreement, the Charter School shall cease all operations.

17.2 LLC Termination for Cause. LLC may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For purposes of this Section, "Cause" means:

17.2.1 Material breach of this Agreement, which may include, but is not limited to, failure of EMS to provide services as required by this Agreement, or any other act or failure to act by EMS which undermines the joint purpose of this Agreement.

17.2.2 LLC may terminate for cause only if LLC has provided EMS written notice of the material breach and has allowed EMS a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If LLC makes a good faith reasonable determination that EMS's remedial action is unsatisfactory, LLC may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 17.5.

17.3 EMS Termination for Cause. EMS may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For the purposes of this Section, "Cause" means:

17.3.1 Material breach of this Agreement, which may include, but is not limited to, LLC's failure to adhere to the reasonable personnel, curriculum, program or similar recommendations of EMS with respect to the Charter School, which EMS reasonably determines to be necessary for the implementation of EMS's Program, LLC's failure to obtain waivers from third parties as provided for in this Agreement which EMS reasonably determines to be necessary for the implementation of EMS's Program, LLC's failure to make payments as required by this Agreement; or any other failure which undermines the joint purposes of this Agreement; or

17.3.2 EMS may terminate for cause only if EMS has provided written notice of the breach to LLC and has allowed EMS a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If EMS makes a good faith reasonable determination that LLC's remedial action is unsatisfactory, EMS may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 17.5.

17.4 Statutes or Legislative Changes. In the event that any enactment, repeal, promulgation or withdrawal of any federal, state, or local law, regulation, or court or administrative decision or order materially affects the operation of the Charter School in conformity with this Agreement, or otherwise constitutes a violation of law, or otherwise has a material adverse effect on EMS's ability to operate the Charter School, EMS or LLC may elect to deliver written notice to the other of such changes and the resulting consequences. Upon delivery of such notice, the parties shall promptly commence negotiations in good faith regarding a mutually agreeable approach (including without limitation, an amendment to the Agreement) to address the statutory and/or legislative changes. If despite such good faith negotiations the parties are unable to agree upon an acceptable approach to address the statutory and/or legislative changes, then either party may elect to terminate the Agreement without further obligation or liability to the other, by delivering written notice of termination to the other at least one hundred eighty (180) days in advance of the effective date of such termination, or in such lesser time as is reasonable under the circumstances. Among other events, the foregoing section applies to actions that may be made by the State Board of Education, Department of Education and the Advisory Commission on Charter Schools.

17.5 Termination Notice and Other Termination Procedure

17.5.1 Unless otherwise expressly provided herein, each party shall give the other party at least ninety (90) days advance written notice of a termination of this Agreement prior to the end of its Term.

17.5.2 Notwithstanding any other provision in this agreement, each party shall use its good faith best efforts to avoid a termination of the Agreement, which becomes effective during the middle of a school year because of the disruption to the educational program and the students. Therefore, in the event this agreement is terminated by either party prior to the end of the Term, absent unusual and compelling circumstances, the termination will not become effective until the end of the school year.

17.5.3 In the event of termination of this Agreement for any reason, EMS shall provide reasonable assistance to LLC for up to ninety (90) days after the effective date of termination of the Agreement, to assist in the closure of the Charter School and the transition of students.

17.5.4 In the event LLC terminates this Agreement prior to the end of the Term, regardless of the reason, then LLC shall, for the duration of the Term, be obligated to reimburse EMS for all expenses incurred by EMS on account of the leases and all other reimbursable items listed in Article 5.

17.5.5 Upon closure of the Charter School, for any reason, the parties shall follow the closure procedures listed in Exhibit A.

ARTICLE 18 INSURANCE

18.1 Liability Insurance

18.1.1 EMS, on behalf of the Charter School and the District, shall secure and maintain, insurance, including, but not limited to general liability insurance coverage for bodily injury and property damage for the protection of the Charter School, the District, EMS, and their respective officers, directors, board members, employees, students, teachers and volunteers. Such insurance policies shall be issued by an insurance company or companies selected by EMS and licensed to do business in the state of California. Except as otherwise agreed in writing by LLC and EMS, all such insurance coverage shall be primary insurance, with deductibles or SIR's which are outside the policy limits, and shall be occurrence based insurance (and not claims made insurance). LLC shall pay directly or reimburse EMS for its pro-rata share of such cost.

18.1.2 LLC shall require that its contractors, if providing transportation or other services to the Charter School shall name the Charter School and EMS, and their respective officers, directors, board members, employees, and agents as additional insured under their respective commercial general liability and automobile liability insurance policies for personal injury and property damage; and if such services are provided directly by LLC rather than by contracted service, then such persons shall be named as an additional insured under corresponding LLC insurance policies.

18.1.3 The insurance policies maintained by each party pursuant to this Agreement shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced, in coverage or limits, except after thirty (30) days prior written notice to EMS and LLC.

The parties shall furnish one another certified copies of the insurance or certificates of insurance which name one another as additional insured as additional insured and which demonstrate compliance with this Agreement.

18.2 Workers' Compensation Insurance. EMS, on behalf of LLC, shall secure and maintain workers' compensation insurance covering LLC employees and authorized volunteers. Such insurance policies shall be issued by an insurance company or companies licensed to do business in the state of California. LLC shall pay directly or reimburse EMS for its pro-rata share of such cost.

18.3 Coordination of Risk Management. The parties shall coordinate risk management activities with one another, which shall include the prompt reporting of any and all pending or threatened claims, filing of timely notices of claim, cooperating fully with one another in the defense of any claims and complying with any defense and reimbursement provisions of state governmental immunity laws and applicable insurance policies. The parties shall give each other prompt written notice of any claim arising out of the operation of the Charter School. Neither EMS nor LLC shall compromise, settle, negotiate or otherwise affect any disposition of any claim or potential claims asserted against it to the extent such claims are insured by or through the other party, without the approval of the other party.

ARTICLE 19 CONFIDENTIAL AND PROPRIETARY INFORMATION

19.1 Proprietary Marks and Intellectual Property. LLC acknowledges and agrees as follows:

19.1.1 EMS owns and has all proprietary rights in and to the name "Opportunities For LearningSM", including but not limited to, all trademarks, trade names, service marks, industrial designs, insignias, logos, and designations (as presently or hereafter comprised) in connection therewith (the "Proprietary Marks");

19.1.2 EMS also has developed, purchased and owns curriculum materials, software and other intellectual property to be used in connection with the operation of the Charter School, including but not limited to all copyrights, patents, source codes, technology and trade secrets (as presently or hereafter comprised) in connection therewith (the "Intellectual Property");

19.1.3 EMS has extensively invested in developing and improving the Proprietary Marks and Intellectual Property and in marketing, refining, advertising, promoting and publicizing the same, all of which have become well and favorably known to the public throughout the United States and elsewhere, and, as a result of such efforts, EMS has acquired a valuable goodwill therein; and,

19.1.4 The public has and will come to associate said Proprietary Marks and Intellectual Property exclusively with EMS and the services offered and rendered by EMS through the various Opportunities For Learning charter schools.

19.2 Validity and Use of Proprietary Marks and Intellectual Property. LLC hereby acknowledges the validity of the Proprietary Marks and Intellectual Property identified above and acknowledges that same are the sole property of EMS, LLC, through the

Charter School, shall use such Proprietary Marks and Intellectual Property only for so long as the right and license granted here remains in force, and only in connection with the operation of the Charter School within the District, in the manner and for the purposes specified in this Agreement. LLC, shall not, either during or after the term of this Agreement, do anything, or aid or assist any other party to do anything, which would infringe upon, harm, or contest the rights of EMS in any of its Proprietary Marks and/or Intellectual Property, or in any other mark or names which incorporate the words "Opportunities For LearningSM". LLC shall not use any mark or name other than as herein licensed in connection with the conduct of the Charter School, and shall not place any name or mark other than the names or marks originally appearing thereon, on any materials obtained from EMS. LLC further agrees that any additional rights that may develop in any of EMS's Proprietary Marks and/or Intellectual Property in the future, whether as trade names, trademarks, service marks, or copyrighted materials, shall inure and accrue to the benefit of EMS.

19.3 License. Subject to the terms and conditions contained herein, EMS hereby grants to LLC, and LLC hereby accepts from EMS, a non-exclusive license to use the Proprietary Marks and Intellectual Property during the Term for the limited purpose of establishing and operating the Charter School.

19.4 Designation of Charter School. Subject to the terms and conditions contained herein, the Charter School shall be operated, advertised and promoted under the designation "Opportunities For LearningSM" or under any other name or names as EMS may from time to time designate, and under no other name or designation whatsoever, and without the addition of any prefix, suffix or any other name or names; notwithstanding the foregoing, LLC may refer to the Charter School as the "Opportunities For LearningSM Charter School – Stockton."

19.5 Prohibitions on Use. LLC agrees not to interfere in any manner with or attempt to prohibit the use of the Proprietary Marks and Intellectual Property by any other entity. LLC further agrees to execute any and all other necessary papers, documents, and assurances to effectuate this purpose and agrees to cooperate fully with EMS or its agents in securing all necessary and required authority from any Secretary of State, licensing authority, or any other state or federal authority to the use of the Proprietary Marks and Intellectual Property wherever needed. The grant of the License pursuant to this Agreement, does not grant exclusivity of territory or use to LLC.

19.6 Ownership of Proprietary Information. LLC agrees that EMS shall own all copyright and other proprietary rights in and to the Proprietary Marks and intellectual Property, including but not limited to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by EMS, its employees, agents or subcontractors, or by any individual employed at the Charter School, including LLC or District employees working for, or supervised by, EMS, which are developed during the Term of this Agreement or any renewal Terms hereof EMS shall have the sole and exclusive right to license such materials for use by other school districts or customers, or to modify and/or sell such materials to other school districts and customers. EMS may disclose such proprietary information, including that which is currently in existence as well as that which may be created in the future. LLC shall take all measures reasonably necessary to assure that none of its personnel or agents disclose, publish,

copy, transmit, modify, alter or utilize the Proprietary Marks and Intellectual Property without EMS's prior written consent.

19.7 Unauthorized Use. LLC shall promptly report to EMS any unauthorized use of EMS's Proprietary Marks and/or Intellectual Property that comes to its attention in any manner whatsoever. If requested by EMS, LLC will cooperate with EMS in precluding unauthorized use of EMS's Proprietary Marks and Intellectual Property, or any confusingly similar mark or property.

19.8 Attorney-In-Fact. LLC shall execute and deliver any and all assignments, instruments and documents and take any and all other actions to ensure that the Proprietary Marks and Intellectual Property shall belong free of charge and exclusively to EMS (or any other entity designated by EMS). LLC hereby irrevocably designates and appoints EMS as its agent and attorney-in-fact to act on its benefit to execute, acknowledge, deliver, and file (and to swear to such execution, acknowledgement, delivery and filing of any and all instruments, documents and agreements and to perform any and all other acts and deeds deemed necessary or desirable to further the purposes of this Section 15. Such power of attorney shall be irrevocable, coupled with an interest and shall survive the dissolution of LLC

19.9 Confidential Information.

19.9.1 LLC acknowledges and agrees that during the Term, it will have access to certain confidential information of EMS, including but not limited to confidential or proprietary business information, curriculum materials, software, property rights and data, know-how, trade secrets, customer and vendor lists, supplier and distributor lists, billing practices and procedures, operating manuals and procedures, pricing policies, operational methods, marketing plans or strategies, financial information, budget information and procedures of EMS ("the Confidential formation").

19.9.2 From and after the commencement of the Term, LLC shall keep secret and retain in strictest confidence and shall not use for the benefit of itself or others, all or any of the Confidential Information.

19.9.3 Promptly following the termination of this Agreement for any reason, LLC shall immediately deliver to EMS all Confidential Information in its possession, together with all notes, records, memoranda, correspondence files and other papers, magnetic tapes, software, discs, manuals and other information in any form relating to EMS (including all copies of these materials). LLC acknowledges that it does not have and cannot acquire any rights to these materials.

19.10 Further Obligations Following Termination. Upon termination of this Agreement for any reason whatsoever, LLC shall immediately and permanently discontinue the use of any and all of the Proprietary Marks and/or Intellectual Property, or any marks, names, or indicia which in the opinion of EMS are confusingly similar thereto, or any other materials which may in any way indicate or tend to indicate that LLC and/or the Charter School is or was in way associated with EMS. At such time, LLC shall also immediately and permanently remove or destroy or return to EMS, at EMS's option, at LLC's expense, all curriculum materials, software, signs, stationary, letterheads, forms, printed matter, promotional displays, and other materials containing the Proprietary Marks and/or

the Intellectual Property. LLC shall, at such time, also immediately and permanently discontinue any use of the name "Opportunities For Learning", or a confusingly similar name thereto in connection with the operation of a charter school.

ARTICLE 20 DISPUTE RESOLUTION PROCEDURE

20.1 Mediation. In the event that any controversy claim or dispute between the parties arises relating to the terms of this Agreement, or the breach thereof, the parties hereby agree to initially attempt to settle such disputes by a non-binding mediation, before a single neutral mediator (the "Mediator"), administered by J.A.M.S./ENDISPUTE. The Mediator shall be assigned at random by J.A.M.S./ENDISPUTE and shall take place within Los Angeles County.

20.1.1 The mediation shall commence within forty-five (45) calendar days from the date of the receipt of the Mediation Demand sent by the aggrieved party ("Receipt Date"), and shall be concluded no later than sixty (60) calendar days from the Receipt Date. In determining the Receipt Date, the notice provisions of this Agreement shall apply.

20.1.2 The administrative costs of conducting the mediation shall be shared equally between the parties.

20.2 Binding Arbitration. In the event that the parties are unable to resolve any dispute regarding relating to the terms of this Agreement, or the breach thereof, through non binding mediation pursuant to Section 20.1, above, such dispute shall be determined by binding arbitration in accordance with the rules of J.A.M.S./ENDISPUTE. The parties may select any third party arbitrator, including a retired jurist, or other independent party. Any determination of the arbitrator shall be binding on the parties, and may be entered in any court with proper jurisdiction for enforcement thereof. The costs of the arbitrator shall be borne equally by the parties.

ARTICLE 21 MISCELANEOUS

21.1 Standard of Interpretation. Except as otherwise provided herein, the parties shall perform all actions required herein in a reasonable and timely manner.

21.2 Notices. Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if served either personally or, if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. If such notice, demand or other communication be served personally, service shall be conclusively deemed made at the time of such personal service. If such notice, demand or other communication be given by mail, such shall be conclusively deemed given forty-eight (48) hours after the deposit thereof in the United States mail, addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth.

21.4 Governing Law and Construction. This Agreement shall, in all respects, be governed by the laws of the State of California applicable to agreements executed and to be wholly performed within the State of California Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there

is any conflict between any provision contained herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail but the provision of this Agreement which is affected shall be construed and limited only to the extent necessary to bring it within the requirements of the law.

21.5 Severability. The provisions of this Agreement are severable, and if any one or more provisions shall be determined to be judicially unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

21.6 Arm's Length Agreement. This Agreement has been negotiated at arm's length and between persons (or their representatives) sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to affect the purpose of the parties and this Agreement.

21.7 Entire Agreement. This Agreement, together with the Charter Agreement, constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all other written or oral negotiations, understandings or agreements among the parties with respect to the rights and obligations assumed herein and contains all of the covenants and agreements among the parties with respect to such rights and obligations.

21.8 Binding Agreement. The party's rights and obligations under this Agreement are personal and shall not be assignable. Subject to the foregoing, each of the terms and provisions contained herein shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors, and assigns.

21.9 Cumulative Remedies. No remedy conferred by any provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. Except as otherwise provided herein, the election of anyone or more remedies by any party, shall not constitute a waiver of the right to pursue other available remedies.

21.11 Modifications. No amendment, change or modification of this Agreement shall be valid unless in writing, stating that it amends or modifies this Agreement, and signed by all of the parties hereto.

21.12 Additional Acts. Each of the parties hereto shall execute and deliver any and all additional papers, documents and other assurances and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the parties hereto.

21.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21.14 Waiver. The waiver by any party to this Agreement of the breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach, whether of the same or another provision of this Agreement.

21.15 Captions. The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the section at the head of which it appears, the section and not such caption shall control and govern in the construction of this Agreement. The reference to paragraph numbers herein shall be deemed to refer to the numbers preceding each section.

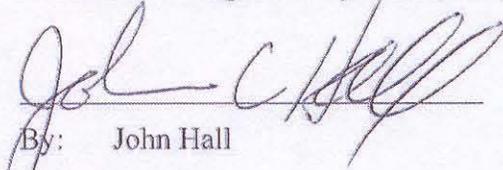
21.16 Force Majeure. Neither party shall be liable if the performance of any part or all of this contract is prevented, delayed, hindered or otherwise made impracticable or impossible by reason of any strike, flood, riot, fire, explosion, war, act of God, sabotage, accident or any other casualty or cause beyond either party's control and which cannot be overcome by reasonable diligence and without unusual expense.

21.17 Nondiscrimination. EMS covenants and agrees that it shall not discriminate against any person or group thereof upon the basis of race, color, religion, sex, ancestry, physical handicap, marital status or national origin in the operation of the Charter School. EMS shall comply with applicable federal and state laws, rules, and regulations pertaining to nondiscrimination of hiring and employment, and as to admission of and treatment of students.

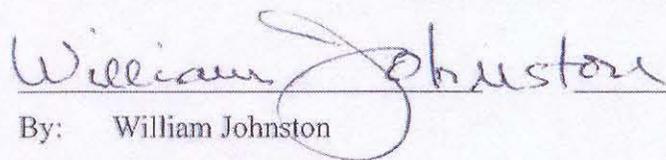
21.18 Jointly Drafted Agreement. The parties acknowledge that this Agreement is the product of the combined involvement and drafting of both parties hereto and that neither party maybe considered or deemed the primary drafter of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Education Management SystemEMS, Inc., a California Corporation


By: John Hall Date 7/27/09
Title: President

EMS-BP, LLC, a California Limited Liability Company


By: William Johnston Date
Title: Member of the Board of Managers

EMS-BP, LLC, a California Limited Liability Company

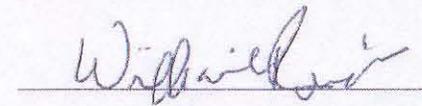

By: William Rivera Date
Title: Member of the Board of Managers

Exhibit A

CHARTER AGREEMENT

(As referenced on page 2, ARTICLE 1, Section 1.2)

Exhibit B
EMS Services

- (a) Provide Opportunities for Learning Academic Recovery educational program that is specifically designed for drop outs and at risk youth and meets all requirements of the charter agreement between LLC and the Baldwin Park Unified School District (the Academic Recovery Program),
- (b) Implement, as deemed necessary, a leadership development program and youth impact program (Extra Programs),
- (c) Identify and produce curriculum and instructional materials for the Programs (including all above Opportunities for Learning Programs) (see cost allocation in section 8.5),
- (d) Train LLC teachers and instructional aides in delivery of the Programs to students,
- (e) Provide administrative support staff to assist Charter School,
- (f) Provide all human resources services needed by LLC, including but not limited to advertising for and recruiting teachers and instructional employees, screening prospective new employees, making staffing and employment recommendations to LLC, planning and conducting team building events for LLC staff, and coordinating all employee benefits,
- (g) Provide computer for use of each teacher (see cost allocation in Article 6),
- (h) Provide administrative services needed for operation of the school, including program development, facilities management and management of day to day operations,
- (i) Obtain waivers as may be necessary for operation of the charter school's multi-track calendar,
- (j) Provide all accounting services, including all bookkeeping and accounting services,
- (k) Arrange for an annual audit of the charter school to be performed by an auditing firm approved by LLC,
- (l) Provide to LLC the following reports: monthly report of expenses incurred for reimbursement, monthly ADA reports, reports required for the sponsoring District and California Department of Education, J200 budget reports, J18 and 19 filings, and year to date budget variance reports. Upon reasonable request, EMS shall provide additional financial data and other data concerning the charter school to LLC in a format and structure reasonably directed by LLC.
- (m) Locate and secure facilities adequate to meet the needs of the charter school and the Program, lease or otherwise contract with third parties for the use of facilities for school purposes,
- (n) Provide all property management services needed to maintain the charter school's learning centers and to keep the learning centers in clean and professional order and repair,

- (o) Furnish all learning centers with adequate desks, chairs, books, book cases and other furnishings appropriate to maintain the learning centers' clean and professional appearance and suitable for the conduct of the charter school (see cost allocation in Article 6),
- (p) Provide computers for students in each learning center with Internet connections and printing capabilities (see cost allocation in Article 6),
- (q) Procure all insurance needed for operation of the charter school (see cost allocations in Article 18),
- (r) Supervise the providing of special education services,
- (s) Periodically, as requested by LLC, arrange for independent assessments as described in the Agreement performed by Dr. James Catterall of the UCLA Graduate School of Education (see cost allocation in section 7.4).

SERVICES AND PROPERTY AGREEMENT BETWEEN EDUCATION
MANAGEMENT SYSTEMS, INC. AND EMS-BPII, LLC

This SERVICES AND PROPERTY AGREEMENT ("Agreement") is made and entered into and effective, July 1, 2009, by and between Education Management Systems, Inc., a California corporation ("EMS"), and EMS-BPII, LLC, a California Limited Liability Company ("LLC") with reference to the following:

RECITALS

- A. EMS provides management and other services to charter schools and has expertise in home schooling and in providing educational services to at risk students using independent study instructional modalities in its Opportunities For Learning program;
- B. LLC was created to develop new ways to educate children within the public school system through the establishment of and/or operation of charter schools;
- C. On July 2, 2007 the Baldwin Park II Unified School District approved the petition for charter submitted by LLC to operate an Opportunities For Learning charter school serving at risk students;
- D. The charter petition sets forth the governance structure for the charter school and provides, among other things, that the management and day-to-day operation of the charter school may be delegated to outside parties, including, but not limited to EMS;
- E. LLC desires to contract for services, including school management, property management, accounting and human relations services, to assist it in the operation of the charter school;
- G. EMS owns intellectual property, including its proprietary name, Opportunities For Learning, and curriculum for use in independent study modalities that LLC desires to use in its charter school programs;
- H. EMS has leased certain improved real property and furnished the real property for use as charter school learning centers and LLC desires the use of said facilities for its charter school;
- I. The parties intend that the terms of this Agreement shall be consistent with the terms of the charter petition approved by the Baldwin Park II Unified School District; and

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I RELATIONSHIP

1.1 Services and Property Agreement. Under this Agreement, LLC hires EMS and EMS hereby covenants with the LLC to perform the duties hereinafter described.

1.2 Charter Agreement. The parties understand and acknowledge that LLC is bound by and subject to, all the terms and conditions of the Charter Agreement between LLC and the Baldwin Park II Unified School District (hereafter referred to as the "District"), which charter was approved by the District on July 01, 2001 (hereafter referred to as the "Charter Agreement") and that by entering into this Agreement, EMS's services shall comply with the applicable terms and conditions of the Charter Agreement. A copy of the Charter Agreement is attached as Exhibit "A" and is incorporated herein. The Opportunities For Learning Charter School operated pursuant to the Charter Agreement is referred to as the "Charter School."

1.3 Independent Contractor. The parties to this Agreement intend that:

1.3.1 The relationship between EMS and LLC created by this Agreement is that of an independent contractor, and not a partnership or employer- employee or other relationship. No agent, employee, or servant of EMS shall be deemed to be the employee, agent or servant of LLC or the District. The manner and means of conducting the work pursuant to this Agreement is under the sole control of EMS and EMS will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement; and,

1.3.2 No agent, employee, or servant of the LLC shall be deemed to be the employee, agent or servant of EMS. LLC will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement.

ARTICLE 2 TERM

2.1 Unless earlier terminated pursuant to this Agreement, the term ("Term") of this Agreement shall commence on July 1, 2009 (the "Commencement Date"), and shall continue through June 30, 2014 unless charter terminates prior.

ARTICLE 3 SERVICES TO BE PROVIDED BY EMS

3.1 During the Term of this Agreement, except as otherwise provided, EMS shall be responsible for all functions that relate to educational services, facilities management, human resources management, administration and operation of the Charter School, as required by the Charter Agreement (hereafter referred to as the "EMS Services"). Such services are more particularly identified on Exhibit "B," which is attached hereto, and incorporated herein.

3.2 In addition, EMS shall locate and lease on behalf of the Charter School, for the duration of the Term, facilities in which the Charter School can operate its learning centers as described in Article 5.

ARTICLE 4 EMS COMPENSATION

4.1 On the 5th day of each calendar month during the Term of this Agreement, LLC shall cause to be paid to EMS a monthly fee for the EMS Services. The monthly fee shall be calculated based upon the number of students enrolled in the Charter School learning centers operated by EMS in the given month. LLC shall pay EMS the amount of Twelve Thousand One Hundred Twenty Seven Dollars and Fifty Cents (\$12,127.50) per month per learning center, when the center enrollment has reached or exceeded 150 students for the first year of this Agreement. The fee shall be prorated at fifty percent (50%) upon an enrollment of 75 or more students. The monthly fee shall increase by five percent (5%) per annum in each consecutive year unless otherwise agreed to by the parties in writing. The monthly fee shall not exceed 15% of the total revenue of the charter. The monthly fee will be in addition to LLC's obligation to reimburse expenses as provided in Article 5 below.

ARTICLE 5 REIMBURSABLE LEASE EXPENSES

5.1 LLC shall reimburse EMS or pay directly any and all rentals (including common area charges and other charges assessed directly by the landlord as part of each respective lease) advanced by EMS for the use of commercial premises for charter school learning centers. EMS has entered into and shall maintain for the benefit of Charter School, leases of commercial real property and office space to provide learning centers for the students of the charter school. The learning centers are all used for Charter School purposes. 5.2

LLC shall also reimburse EMS or pay directly all expenses for utilities, including telephone, power, water, trash and other utilities used in connection with the foregoing learning centers.

5.3 LLC acknowledges that prior to entry into this Agreement, it has reviewed or was provided opportunity to review leases for each of the learning centers in which it currently operates. LLC may, on reasonable notice to EMS inspect the foregoing leases.

5.4 LLC acknowledges that the terms of certain of the leases listed above may expire or terminate prior to the end to of the Term of this Agreement. In such event, EMS agrees to locate and secure, on behalf of the Charter School, suitable replacement premises. EMS will obtain the prior written approval of LLC before adding or subtracting the number of learning centers devoted to the Charter School.

ARTICLE 6 FACILITIES

6.1 EMS, on behalf of the Charter School, shall be responsible for the identification, location and acquisition of space for the Charter School (the 'Charter School Site').

6.2 The Charter School Site will meet the state and local safety standards. The Charter School will use facilities that meet all city or local ordinances for the health and safety of its faculty and students. Facilities will be selected on the basis of identification of areas where the greatest numbers of potential students can be served.

6.3 EMS shall be responsible for the purchase and installation of technology (computers, modems, and phone units) integral to the Charter School. LLC will pay directly or reimburse EMS for these costs.

6.4 EMS shall be responsible for furnishing and maintaining for the Charter School Sites, appropriate and sufficient tables, chairs, materials and supplies to conduct the Charter School. LLC will pay directly or reimburse EMS for these costs.

6.5 EMS will secure insurance reasonably suitable to protect the Charter School for personal and property damage caused by hazards at the Charter School Site. LLC will pay directly or reimburse EMS for their allocated portion of such expense.

6.6 EMS will ensure that, at a minimum, each of the learning centers are open to Charter School teachers and students from 8:00 am, to 5:00 p.m. (closed one hour for lunch), each day, all year around, excluding weekends and holidays.

ARTICLE 7 DATA AND ASSESSMENTS

7.1 EMS shall provide information to the LLC governing board sufficient to enable the LLC governing board to monitor the educational performance and efficiency of the Charter School.

7.2 EMS shall make available to LLC the following reports: monthly report of expenses incurred for reimbursement, monthly ADA reports, reports required for the sponsoring District and California Department of Education, J200 budget reports, J18 and 19 filings, and year to date budget variance reports. Upon reasonable request, EMS shall provide additional financial data and other data concerning the Charter School to LLC in a format and structure reasonably directed by LLC.

7.3 LLC shall have the right, upon fifteen days notice to EMS, to conduct an audit of EMS's financial and other records relating to the operation of the Charter School. LLC shall pay the cost of such an audit and such audit may be performed by any Certified Public Accountant of LLC's choosing.

7.4 When requested by LLC, EMS will contract periodically with James Catterall, Ph.D. of the UCLA Graduate School of Education to conduct an independent evaluation of the Charter School. The results of Dr. Catterall's evaluation will be provided to LLC. This independent evaluation will examine aspects of the Charter School's effectiveness and quality of the Program. At a minimum, the evaluation will evaluate progress toward achieving the goals of the Charter School. The evaluation will use both qualitative and quantitative data. The evaluator will analyze standardized test data and incorporate the results into the evaluation. In addition, the data relating to baseline student Performance Plans; educational and community agency services rendered to the Charter School's students; and enrollment, academic and attendance records will be analyzed. Qualitative data will be collected through structured and unstructured interviews and questionnaires

with Charter School staff, students, parents and community agency personnel. LLC shall pay directly or reimburse EMS for the cost of any Catterall evaluation(s) requested by the LLC.

ARTICLE 8 EDUCATIONAL PROGRAM AND CURRICULUM

8.1 EMS shall provide an education program (the "Program") to be used in connection with the Charter School's educational program. The Program shall be initially structured as follows:

8.1.1 The curriculum developed or purchased by EMS shall introduce instruction in higher order skills as early as possible in the Program, in order to offer interesting and challenging curriculum for the purpose of allowing students to progress as quickly as their capabilities will allow. The Program will allow students to use the knowledge that they are accumulating in novel ways to facilitate problem- solving and skill development. Materials shall be designed in a language and format that are readily accessible, and students will be allowed to complete course work at their own pace, as the Program will be formulated based on an initial assessment of the student's skill levels in reading, math and other core courses. The key components of the Program are as follows:

8.1.2 Students will be required to concentrate their learning efforts on a maximum of one or two core subjects, in order to achieve greater depth of learning in each subject and to focus the students' attention on specific areas as a way to promote maximum efficiency for faster results.

8.1.3 Students will participate in independent study programs that will allow each student to tailor his or her work pace to meet personal needs and goals.

8.1.4 Students will be placed in core subjects of reading, English and Math based on tested achievement levels. Advancement will be determined on actual mastery of skills. Learning will be thus focused on the specific skills and tasks, which will result in the maximum advancement in the minimum time.

8.2 EMS shall implement the Charter School's curriculum in a manner that is consistent with the Charter Agreement.

8.3 The parties hereto understand and agree that an essential principle of the Charter School's operation is its flexibility, adaptability and capacity to change in the interests of continual improvements and efficiency and, further, that the parties hereto are interested in results and not inflexible prescriptions. To that end, EMS may modify, alter, change and/or amend the Program or curriculum as necessary, without the prior approval or consent of LLC. However, LLC shall receive written notice of any material changes to the charter school curriculum.

8.4 EMS shall ensure that the Charter School, including its curriculum, will be nonreligious, nonsectarian and shall not illegally discriminate against any student on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, special need, marital status or citizenship.

8.5 LLC shall pay directly or reimburse EMS for the cost of all curriculum materials.

ARTICLE 9 MANAGEMENT OF THE CHARTER SCHOOL

9.1 The Charter School shall be managed under the ultimate authority of the LLC through individuals designated by the LLC. Unless and until other individuals are designated, the LLC has designated John Hall to serve as President and Joan Hall, Jamie Hall, and John Hall Jr. to serve as Vice Presidents. The LLC has engaged William Toomey to serve in the capacity as Deputy Superintendent of Educational Operations.

9.2 Except as may be provided in Article 16 (Indemnification) EMS shall not be liable to LLC for any loss or damage sustained by LLC, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, or a knowing violation of law by EMS. EMS shall perform its duties in good faith, in a manner it reasonably believes to be in the best interests of the Charter School and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

9.3 EMS is not obligated to devote all of its time or business efforts to the affairs of the Charter School. EMS shall devote the time, effort and skill reasonably necessary for the operation of the Charter School.

9.4 EMS and its officers, directors, shareholders, partners, members, agents, employees and/or affiliates may engage or invest in any business activity of any type or description, including, without limitation, those that might be the same as or similar to the Charter School's business and that might be in direct or indirect competition with the Charter School. Neither the LLC, nor the Charter School shall have any right in or to such other activities or to the income or proceeds derived there from. EMS shall not be obligated to present any investment opportunity or prospective economic advantage to LLC, even if the opportunity is of the character that, if presented to LLC, could be invested in by LLC. LLC acknowledges that EMS and its affiliated entities own and/or manage other businesses, including businesses that may compete with the LLC and for EMS's time. LLC hereby waives any and all rights and claims which it may otherwise have against EMS and its officers, directors, shareholders, partners, members, agents, employees and affiliates as a result of any such competitive activities.

9.5 Notwithstanding that it may constitute a conflict of interest, EMS may, and may cause its affiliated entities to, engage in any transaction (including, without limitation, the purchase, sale, lease or exchange of any property, the lending of any money or property to LLC and/or the Charter School or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) with the Charter School and/or LLC so long as (a) such transaction is not expressly prohibited by this Agreement; and (b) the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Charter School and/or LLC and are at least as favorable to the Charter School and/or LLC as those that are generally available from persons capable of similarly performing them and in similar transactions between parties operating at arm's length; and (c) are approved by LLC's Board of Managers.

9.6 In addition to any other duties or obligation of EMS arising under this agreement, EMS shall ensure that, in the event that the LLC shall close a charter school operated by

it, all applicable legal requirements established by the California Department of Education or other government entity shall be met.

ARTICLE 10 STUDENT ADMISSION AND STANDARDS

10.1 EMS covenants that admission to the Charter School shall be open to students on a non-discriminatory basis without regard to race, color, religion, national origin, creed, sex, ethnicity, sexual orientation, behavior, age, ancestry, special need, or proficiency in the English language, income or academic achievement, except as otherwise allowed under California law.

10.2 Expulsions will be made on the advisement of the Board of Managers of LLC.

ARTICLE 11 PERSONNEL AND TRAINING

11.1 LLC shall employ all certificated personnel of the Charter School and non-certificated personnel, such as Instructional Aides, that work in the learning centers. LLC shall have ultimate authority for the selection and removal of certificated employees and non-certificated employees of LLC (Charter School Employees).

11.2 EMS shall recruit, screen and recommend certificated and non-certificated individuals to LLC for employment by LLC.

11.3 All Charter School Employees shall have the experience and knowledge appropriate to the position for which they are employed;

11.4 All Charter School Employees shall meet standards set forth by California law, as applicable and such Employee's particular job description. Certificated employees shall meet requirements of the California Commission on Teacher Credentialing.

11.5 When necessary, LLC shall work with EMS to obtain State Department of Education waivers and shall work with EMS to expedite the certification process or alternative accreditation for all new or out-of-district personnel.

11.6 EMS shall provide training in its methods, curriculum, program, and technology to all teaching personnel. Such training shall be at LLC's expense, and may be held off-site, at locations selected by EMS. EMS will also provide team building events, at LLC's expense, for the benefit of LLC employees.

11.7 EMS will administer health and retirement benefits for LLC's employees, including all certificated and non-certificated staff.

11.8 LLC acknowledges and agrees that John Hall, Joan Hall, Jamie Hall, John Hall Jr. and William Toomey may have employment relationships with both EMS and LLC.

11.9 Personnel Policies

11.9.1 EMS and LLC shall comply with all applicable federal and state laws, concerning employee welfare, safety and health, including, without limitation, the requirements of federal law for a drug free workplace.

11.9.2 Neither EMS nor LLC will illegally discriminate against any employee or applicant for employment on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, marital status, or citizenship, in its recruitment, selection, training, utilization, termination or other employment-related activities.

ARTICLE 12 SUBCONTRACTING OF SERVICES

12.1 Subcontracting of Services. EMS reserves the right to subcontract any and all services specified in this Agreement to the District and/or to public or private subcontractors, as permitted by law.

12.2 Location of Performance. EMS reserves the right to perform non-instructional functions, such as purchasing materials or developing curriculum, off-site at EMS offices or remote locations, unless prohibited by federal, state laws, rules, or regulations.

ARTICLE 13 SCHOOL YEAR

13.1 School Year. The parties hereto agree that the Charter School shall be in session at least two hundred forty (240) days or more between July 1st and June 30th of each calendar year.

13.2 Calendar. Notwithstanding the above, the parties understand and agree that the Charter School will have a year-round, multi-track, staggered start calendar for the Programs, or, as necessary, any other calendar that would improve the delivery of instruction to students.

ARTICLE 14 STUDENT PRIVACY

14.1 Family Educational Rights and Privacy Act. LLC shall instruct the District to designate EMS and its officers, employees, agents and representatives as having a legitimate educational interest such that they are entitled to access to education records under 20 U.S.C.A. 1232g, the Family Educational Rights and Privacy Act and under applicable California information and privacy laws. EMS, its officers and employees shall comply with the Family Educational Rights and Privacy Act at all times.

ARTICLE 15 WARRANTIES AND REPRESENTATIONS

15.1 Representations of LLC. LLC represents and warrants to EMS that: (i) it is an organization formed, existing and operating under the laws of the State of California; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligation; provided for under this Agreement and to contract with EMS for EMS to provide the services set forth in this Agreement on behalf of the Charter School (iii) the information, if any, LLC has furnished to EMS concerning LLC's finances, revenues, and student enrollment is accurate and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of

this Agreement by LLC is not a violation or breach of any other agreement between LLC and any other person or entity.

15.2 Representations of EMS. EMS represents and warrants to LLC that: (i) it is a Delaware corporation organized and existing under the laws of the State of Delaware; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligations provided for under this Agreement and to contract with the LLC to provide the services set forth in this Agreement on behalf of the Charter School; (iii) the information, if any, EMS has furnished to LLC concerning the EMS's finances and revenues is accurate and complete and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of this Agreement by EMS is not a violation or breach of any other agreement between EMS and any other person or entity.

ARTICLE 16 INDEMNIFICATION

16.1 Indemnity to Property or Persons. EMS shall indemnify and hold LLC and its members, managers, employees, officers, subcontractors, agents, representatives and authorized volunteers (collectively "the LLC Agents") harmless from and against any and all claims, demands, suits, costs, judgments, or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against LLC and/or the LLC Agents for injury to property or persons, occurring or allegedly occurring in, on or about the Charter School as a result of actions by EMS and/or by its employees, officers, directors, subcontractors, representatives, and agents (collectively "EMS's Agents") during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from LLC, EMS shall defend LLC and/or the LLC Agents in any action or proceeding brought thereon with counsel reasonably acceptable to LLC.

16.2 LLC shall indemnify and hold EMS and EMS's Agents harmless from and against any and all claims, demands, suits, costs, judgments or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against EMS and/or EMS's Agents for injury to property or persons, occurring or allegedly occurring in, on or about the Charter School as a result of actions by LLC and/or by LLC's Agents during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from EMS, LLC shall defend EMS and/or EMS's Agents in any action or proceeding brought thereon with counsel reasonably acceptable to EMS.

ARTICLE 17 TERMINATION AND CLOSURE

17.1 Termination. This Agreement may be terminated during the Term hereof pursuant to the provisions of this Article. Subject to Section 17.5 below, upon termination of this Agreement, the Charter School shall cease all operations.

17.2 LLC Termination for Cause. LLC may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For purposes of this Section, "Cause" means:

17.2.1 Material breach of this Agreement, which may include, but is not limited to, failure of EMS to provide services as required by this Agreement, or any other act or failure to act by EMS which undermines the joint purpose of this Agreement.

17.2.2 LLC may terminate for cause only if LLC has provided EMS written notice of the material breach and has allowed EMS a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If LLC makes a good faith reasonable determination that EMS's remedial action is unsatisfactory, LLC may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 17.5.

17.3 EMS Termination for Cause. EMS may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For the purposes of this Section, "Cause" means:

17.3.1 Material breach of this Agreement, which may include, but is not limited to, LLC's failure to adhere to the reasonable personnel, curriculum, program or similar recommendations of EMS with respect to the Charter School, which EMS reasonably determines to be necessary for the implementation of EMS's Program, LLC's failure to obtain waivers from third parties as provided for in this Agreement which EMS reasonably determines to be necessary for the implementation of EMS's Program, LLC's failure to make payments as required by this Agreement; or any other failure which undermines the joint purposes of this Agreement; or

17.3.2 EMS may terminate for cause only if EMS has provided written notice of the breach to LLC and has allowed EMS a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If EMS makes a good faith reasonable determination that LLC's remedial action is unsatisfactory, EMS may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 17.5.

17.4 Statutes or Legislative Changes. In the event that any enactment, repeal, promulgation or withdrawal of any federal, state, or local law, regulation, or court or administrative decision or order materially affects the operation of the Charter School in conformity with this Agreement, or otherwise constitutes a violation of law, or otherwise has a material adverse effect on EMS's ability to operate the Charter School, EMS or LLC may elect to deliver written notice to the other of such changes and the resulting consequences. Upon delivery of such notice, the parties shall promptly commence negotiations in good faith regarding a mutually agreeable approach (including without limitation, an amendment to the Agreement) to address the statutory and/or legislative changes. If despite such good faith negotiations the parties are unable to agree upon an acceptable approach to address the statutory and/or legislative changes, then either party may elect to terminate the Agreement without further obligation or liability to the other, by delivering written notice of termination to the other at least one hundred eighty (180) days in advance of the effective date of such termination, or in such lesser time as is reasonable under the circumstances. Among other events, the foregoing section applies to actions that may be made by the State Board of Education, Department of Education and the Advisory Commission on Charter Schools.

17.5 Termination Notice and Other Termination Procedure

17.5.1 Unless otherwise expressly provided herein, each party shall give the other party at least ninety (90) days advance written notice of a termination of this Agreement prior to the end of its Term.

17.5.2 Notwithstanding any other provision in this agreement, each party shall use its good faith best efforts to avoid a termination of the Agreement, which becomes effective during the middle of a school year because of the disruption to the educational program and the students. Therefore, in the event this agreement is terminated by either party prior to the end of the Term, absent unusual and compelling circumstances, the termination will not become effective until the end of the school year.

17.5.3 In the event of termination of this Agreement for any reason, EMS shall provide reasonable assistance to LLC for up to ninety (90) days after the effective date of termination of the Agreement, to assist in the closure of the Charter School and the transition of students.

17.5.4 In the event LLC terminates this Agreement prior to the end of the Term, regardless of the reason, then LLC shall, for the duration of the Term, be obligated to reimburse EMS for all expenses incurred by EMS on account of the leases and all other reimbursable items listed in Article 5.

17.5.5 Upon closure of the Charter School, for any reason, the parties shall follow the closure procedures listed in Exhibit A.

ARTICLE 18 INSURANCE

18.1 Liability Insurance

18.1.1 EMS, on behalf of the Charter School and the District, shall secure and maintain, insurance, including, but not limited to general liability insurance coverage for bodily injury and property damage for the protection of the Charter School, the District, EMS, and their respective officers, directors, board members, employees, students, teachers and volunteers. Such insurance policies shall be issued by an insurance company or companies selected by EMS and licensed to do business in the state of California. Except as otherwise agreed in writing by LLC and EMS, all such insurance coverage shall be primary insurance, with deductibles or SIR's which are outside the policy limits, and shall be occurrence based insurance (and not claims made insurance). LLC shall pay directly or reimburse EMS for its pro-rata share of such cost.

18.1.2 LLC shall require that its contractors, if providing transportation or other services to the Charter School shall name the Charter School and EMS, and their respective officers, directors, board members, employees, and agents as additional insured under their respective commercial general liability and automobile liability insurance policies for personal injury and property damage; and if such services are provided directly by LLC rather than by contracted service, then such persons shall be named as an additional insured under corresponding LLC insurance policies.

18.1.3 The insurance policies maintained by each party pursuant to this Agreement shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced, in coverage or limits, except after thirty (30) days prior written notice to EMS and LLC.

The parties shall furnish one another certified copies of the insurance or certificates of insurance which name one another as additional insured as additional insured and which demonstrate compliance with this Agreement.

18.2 Workers' Compensation Insurance. EMS, on behalf of LLC, shall secure and maintain workers' compensation insurance covering LLC employees and authorized volunteers. Such insurance policies shall be issued by an insurance company or companies licensed to do business in the state of California. LLC shall pay directly or reimburse EMS for its pro-rata share of such cost.

18.3 Coordination of Risk Management. The parties shall coordinate risk management activities with one another, which shall include the prompt reporting of any and all pending or threatened claims, filing of timely notices of claim, cooperating fully with one another in the defense of any claims and complying with any defense and reimbursement provisions of state governmental immunity laws and applicable insurance policies. The parties shall give each other prompt written notice of any claim arising out of the operation of the Charter School. Neither EMS nor LLC shall compromise, settle, negotiate or otherwise affect any disposition of any claim or potential claims asserted against it to the extent such claims are insured by or through the other party, without the approval of the other party.

ARTICLE 19 CONFIDENTIAL AND PROPRIETARY INFORMATION

19.1 Proprietary Marks and Intellectual Property. LLC acknowledges and agrees as follows:

19.1.1 EMS owns and has all proprietary rights in and to the name "Opportunities For LearningSM", including but not limited to, all trademarks, trade names, service marks, industrial designs, insignias, logos, and designations (as presently or hereafter comprised) in connection therewith (the "Proprietary Marks");

19.1.2 EMS also has developed, purchased and owns curriculum materials, software and other intellectual property to be used in connection with the operation of the Charter School, including but not limited to all copyrights, patents, source codes, technology and trade secrets (as presently or hereafter comprised) in connection therewith (the "Intellectual Property");

19.1.3 EMS has extensively invested in developing and improving the Proprietary Marks and Intellectual Property and in marketing, refining, advertising, promoting and publicizing the same, all of which have become well and favorably known to the public throughout the United States and elsewhere, and, as a result of such efforts, EMS has acquired a valuable goodwill therein; and,

19.1.4 The public has and will come to associate said Proprietary Marks and Intellectual Property exclusively with EMS and the services offered and rendered by EMS through the various Opportunities For Learning charter schools.

19.2 Validity and Use of Proprietary Marks and Intellectual Property. LLC hereby acknowledges the validity of the Proprietary Marks and Intellectual Property identified above and acknowledges that same are the sole property of EMS, LLC, through the

Charter School, shall use such Proprietary Marks and Intellectual Property only for so long as the right and license granted here remains in force, and only in connection with the operation of the Charter School within the District, in the manner and for the purposes specified in this Agreement. LLC, shall not, either during or after the term of this Agreement, do anything, or aid or assist any other party to do anything, which would infringe upon, harm, or contest the rights of EMS in any of its Proprietary Marks and/or Intellectual Property, or in any other mark or names which incorporate the words "Opportunities For LearningSM". LLC shall not use any mark or name other than as herein licensed in connection with the conduct of the Charter School, and shall not place any name or mark other than the names or marks originally appearing thereon, on any materials obtained from EMS. LLC further agrees that any additional rights that may develop in any of EMS's Proprietary Marks and/or Intellectual Property in the future, whether as trade names, trademarks, service marks, or copyrighted materials, shall inure and accrue to the benefit of EMS.

19.3 License. Subject to the terms and conditions contained herein, EMS hereby grants to LLC, and LLC hereby accepts from EMS, a non-exclusive license to use the Proprietary Marks and Intellectual Property during the Term for the limited purpose of establishing and operating the Charter School.

19.4 Designation of Charter School. Subject to the terms and conditions contained herein, the Charter School shall be operated, advertised and promoted under the designation "Opportunities For LearningSM" or under any other name or names as EMS may from time to time designate, and under no other name or designation whatsoever, and without the addition of any prefix, suffix or any other name or names; notwithstanding the foregoing, LLC may refer to the Charter School as the "Opportunities For LearningSM Charter School – Stockton."

19.5 Prohibitions on Use. LLC agrees not to interfere in any manner with or attempt to prohibit the use of the Proprietary Marks and Intellectual Property by any other entity. LLC further agrees to execute any and all other necessary papers, documents, and assurances to effectuate this purpose and agrees to cooperate fully with EMS or its agents in securing all necessary and required authority from any Secretary of State, licensing authority, or any other state or federal authority to the use of the Proprietary Marks and Intellectual Property wherever needed. The grant of the License pursuant to this Agreement, does not grant exclusivity of territory or use to LLC.

19.6 Ownership of Proprietary Information. LLC agrees that EMS shall own all copyright and other proprietary rights in and to the Proprietary Marks and intellectual Property, including but not limited to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by EMS, its employees, agents or subcontractors, or by any individual employed at the Charter School, including LLC or District employees working for, or supervised by, EMS, which are developed during the Term of this Agreement or any renewal Terms hereof EMS shall have the sole and exclusive right to license such materials for use by other school districts or customers, or to modify and/or sell such materials to other school districts and customers. EMS may disclose such proprietary information, including that which is currently in existence as well as that which may be created in the future. LLC shall take all measures reasonably necessary to assure that none of its personnel or agents disclose, publish,

copy, transmit, modify, alter or utilize the Proprietary Marks and Intellectual Property without EMS's prior written consent.

19.7 Unauthorized Use. LLC shall promptly report to EMS any unauthorized use of EMS's Proprietary Marks and/or Intellectual Property that comes to its attention in any manner whatsoever. If requested by EMS, LLC will cooperate with EMS in precluding unauthorized use of EMS's Proprietary Marks and Intellectual Property, or any confusingly similar mark or property.

19.8 Attorney-In-Fact. LLC shall execute and deliver any and all assignments, instruments and documents and take any and all other actions to ensure that the Proprietary Marks and Intellectual Property shall belong free of charge and exclusively to EMS (or any other entity designated by EMS). LLC hereby irrevocably designates and appoints EMS as its agent and attorney-in-fact to act on its benefit to execute, acknowledge, deliver, and file (and to swear to such execution, acknowledgement, delivery and filing of any and all instruments, documents and agreements and to perform any and all other acts and deeds deemed necessary or desirable to further the purposes of this Section 15. Such power of attorney shall be irrevocable, coupled with an interest and shall survive the dissolution of LLC

19.9 Confidential Information.

19.9.1 LLC acknowledges and agrees that during the Term, it will have access to certain confidential information of EMS, including but not limited to confidential or proprietary business information, curriculum materials, software, property rights and data, know-how, trade secrets, customer and vendor lists, supplier and distributor lists, billing practices and procedures, operating manuals and procedures, pricing policies, operational methods, marketing plans or strategies, financial information, budget information and procedures of EMS ("the Confidential formation").

19.9.2 From and after the commencement of the Term, LLC shall keep secret and retain in strictest confidence and shall not use for the benefit of itself or others, all or any of the Confidential Information.

19.9.3 Promptly following the termination of this Agreement for any reason, LLC shall immediately deliver to EMS all Confidential Information in its possession, together with all notes, records, memoranda, correspondence files and other papers, magnetic tapes, software, discs, manuals and other information in any form relating to EMS (including all copies of these materials). LLC acknowledges that it does not have and cannot acquire any rights to these materials.

19.10 Further Obligations Following Termination. Upon termination of this Agreement for any reason whatsoever, LLC shall immediately and permanently discontinue the use of any and all of the Proprietary Marks and/or Intellectual Property, or any marks, names, or indicia which in the opinion of EMS are confusingly similar thereto, or any other materials which may in any way indicate or tend to indicate that LLC and/or the Charter School is or was in way associated with EMS. At such time, LLC shall also immediately and permanently remove or destroy or return to EMS, at EMS's option, at LLC's expense, all curriculum materials, software, signs, stationary, letterheads, forms, printed matter, promotional displays, and other materials containing the Proprietary Marks and/or

the Intellectual Property. LLC shall, at such time, also immediately and permanently discontinue any use of the name "Opportunities For Learning", or a confusingly similar name thereto in connection with the operation of a charter school.

ARTICLE 20 DISPUTE RESOLUTION PROCEDURE

20.1 Mediation. In the event that any controversy claim or dispute between the parties arises relating to the terms of this Agreement, or the breach thereof, the parties hereby agree to initially attempt to settle such disputes by a non-binding mediation, before a single neutral mediator (the "Mediator"), administered by J.A.M.S./ENDISPUTE. The Mediator shall be assigned at random by J.A.M.S./ENDISPUTE and shall take place within Los Angeles County.

20.1.1 The mediation shall commence within forty-five (45) calendar days from the date of the receipt of the Mediation Demand sent by the aggrieved party ("Receipt Date"), and shall be concluded no later than sixty (60) calendar days from the Receipt Date. In determining the Receipt Date, the notice provisions of this Agreement shall apply.

20.1.2 The administrative costs of conducting the mediation shall be shared equally between the parties.

20.2 Binding Arbitration. In the event that the parties are unable to resolve any dispute regarding relating to the terms of this Agreement, or the breach thereof, through non binding mediation pursuant to Section 20.1, above, such dispute shall be determined by binding arbitration in accordance with the rules of J.A.M.S./ENDISPUTE. The parties may select any third party arbitrator, including a retired jurist, or other independent party. Any determination of the arbitrator shall be binding on the parties, and may be entered in any court with proper jurisdiction for enforcement thereof. The costs of the arbitrator shall be borne equally by the parties.

ARTICLE 21 MISCELANEOUS

21.1 Standard of Interpretation. Except as otherwise provided herein, the parties shall perform all actions required herein in a reasonable and timely manner.

21.2 Notices. Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if served either personally or, if deposited in the Unites States mail, certified or registered, postage prepaid, return receipt requested. If such notice, demand or other communication be served personally, service shall be conclusively deemed made at the time of such personal service. If such notice, demand or other communication be given by mail, such shall be conclusively deemed given forty-eight (48) hours after the deposit thereof in the United States mail, addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth.

21.4 Governing Law and Construction. This Agreement shall, in all respects, be governed by the laws of the State of California applicable to agreements executed and to be wholly performed within the State of California Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there

is any conflict between any provision contained herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail but the provision of this Agreement which is affected shall be construed and limited only to the extent necessary to bring it within the requirements of the law.

21.5 Severability. The provisions of this Agreement are severable, and if any one or more provisions shall be determined to be judicially unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

21.6 Arm's Length Agreement. This Agreement has been negotiated at arm's length and between persons (or their representatives) sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to affect the purpose of the parties and this Agreement.

21.7 Entire Agreement. This Agreement, together with the Charter Agreement, constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all other written or oral negotiations, understandings or agreements among the parties with respect to the rights and obligations assumed herein and contains all of the covenants and agreements among the parties with respect to such rights and obligations.

21.8 Binding Agreement. The party's rights and obligations under this Agreement are personal and shall not be assignable. Subject to the foregoing, each of the terms and provisions contained herein shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors, and assigns.

21.9 Cumulative Remedies. No remedy conferred by any provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. Except as otherwise provided herein, the election of anyone or more remedies by any party, shall not constitute a waiver of the right to pursue other available remedies.

21.11 Modifications. No amendment, change or modification of this Agreement shall be valid unless in writing, stating that it amends or modifies this Agreement, and signed by all of the parties hereto.

21.12 Additional Acts. Each of the parties hereto shall execute and deliver any and all additional papers, documents and other assurances and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the parties hereto.

21.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21.14 Waiver. The waiver by any party to this Agreement of the breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach, whether of the same or another provision of this Agreement.

21.15 Captions. The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the section at the head of which it appears, the section and not such caption shall control and govern in the construction of this Agreement. The reference to paragraph numbers herein shall be deemed to refer to the numbers preceding each section.

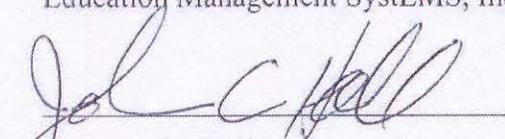
21.16 Force Majeure. Neither party shall be liable if the performance of any part or all of this contract is prevented, delayed, hindered or otherwise made impracticable or impossible by reason of any strike, flood, riot, fire, explosion, war, act of God, sabotage, accident or any other casualty or cause beyond either party's control and which cannot be overcome by reasonable diligence and without unusual expense.

21.17 Nondiscrimination. EMS covenants and agrees that it shall not discriminate against any person or group thereof upon the basis of race, color, religion, sex, ancestry, physical handicap, marital status or national origin in the operation of the Charter School. EMS shall comply with applicable federal and state laws, rules, and regulations pertaining to nondiscrimination of hiring and employment, and as to admission of and treatment of students.

21.18 Jointly Drafted Agreement. The parties acknowledge that this Agreement is the product of the combined involvement and drafting of both parties hereto and that neither party maybe considered or deemed the primary drafter of the Agreement.

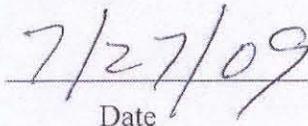
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Education Management SystemS, Inc., a California Corporation



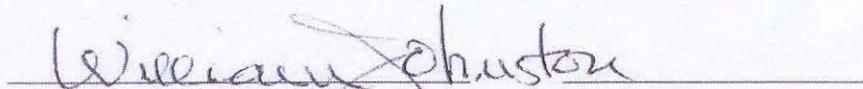
By: John Hall

Title: President



Date

EMS-BPII, LLC, a California Limited Liability Company

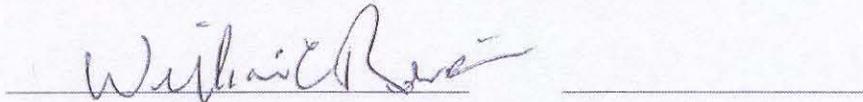


By: William Johnston

Date

Title: Member of the Board of Managers

EMS-BPII, LLC, a California Limited Liability Company



By: William Rivera

Date

Title: Member of the Board of Managers

Exhibit A

CHARTER AGREEMENT

(As referenced on page 2, ARTICLE 1, Section 1.2)

Exhibit B
EMS Services

- (a) Provide Opportunities for Learning Academic Recovery educational program that is specifically designed for drop outs and at risk youth and meets all requirements of the charter agreement between LLC and the Baldwin Park II Unified School District (the Academic Recovery Program),
- (b) Implement, as deemed necessary, a leadership development program and youth impact program (Extra Programs),
- (c) Identify and produce curriculum and instructional materials for the Programs (including all above Opportunities for Learning Programs) (see cost allocation in section 8.5),
- (d) Train LLC teachers and instructional aides in delivery of the Programs to students,
- (e) Provide administrative support staff to assist Charter School,
- (f) Provide all human resources services needed by LLC, including but not limited to advertising for and recruiting teachers and instructional employees, screening prospective new employees, making staffing and employment recommendations to LLC, planning and conducting team building events for LLC staff, and coordinating all employee benefits,
- (g) Provide computer for use of each teacher (see cost allocation in Article 6),
- (h) Provide administrative services needed for operation of the school, including program development, facilities management and management of day to day operations,
- (i) Obtain waivers as may be necessary for operation of the charter school's multi-track calendar,
- (j) Provide all accounting services, including all bookkeeping and accounting services,
- (k) Arrange for an annual audit of the charter school to be performed by an auditing firm approved by LLC,
- (l) Provide to LLC the following reports: monthly report of expenses incurred for reimbursement, monthly ADA reports, reports required for the sponsoring District and California Department of Education, J200 budget reports, J18 and 19 filings, and year to date budget variance reports. Upon reasonable request, EMS shall provide additional financial data and other data concerning the charter school to LLC in a format and structure reasonably directed by LLC.
- (m) Locate and secure facilities adequate to meet the needs of the charter school and the Program, lease or otherwise contract with third parties for the use of facilities for school purposes,
- (n) Provide all property management services needed to maintain the charter school's learning centers and to keep the learning centers in clean and professional order and repair,

- (o) Furnish all learning centers with adequate desks, chairs, books, book cases and other furnishings appropriate to maintain the learning centers' clean and professional appearance and suitable for the conduct of the charter school (see cost allocation in Article 6),
- (p) Provide computers for students in each learning center with Internet connections and printing capabilities (see cost allocation in Article 6),
- (q) Procure all insurance needed for operation of the charter school (see cost allocations in Article 18),
- (r) Supervise the providing of special education services,
- (s) Periodically, as requested by LLC, arrange for independent assessments as described in the Agreement performed by Dr. James Catterall of the UCLA Graduate School of Education (see cost allocation in section 7.4).



CURRICULUM DELIVERY AGREEMENT

EDUCATION MANAGEMENT SYSTEM – BALDWIN PARK, a California nonprofit corporation (“EMS-BP”), does hereby retain OPTIONS FOR YOUTH, INC., a California nonprofit corporation (“Contractor”) to furnish the below-described services and materials upon the following terms and conditions:

1. Term and Termination

This Agreement shall be effective as of July 1, 2008 and shall continue in effect until June 30, 2010 unless terminated by either party upon sixty (60) days written notice.

2. Services and Materials Provided By Contractor

- a. Contractor shall provide to EMS-BP the following services and materials:
 - (i) Order and deliver curriculum for academic recovery (“AR”) and experiential learning (“EL”) classes;
 - (ii) Order and deliver office and school supplies; and
 - (iii) Provide standard ordering information for new center set up.
- b. Contractor agrees to perform all services hereunder to EMS-BP reasonable satisfaction.

3. Non-transference of Title and Rights

This Agreement is for services only. Notwithstanding the foregoing, in the event that Contractor is requested to reproduce and deliver materials originally created by EMS-BP or by a third party for the benefit of EMS-BP, all rights and title to said materials shall be retained by EMS-BP.

4. Shared Costs

- a. In consideration for Contractor providing the above-described services, EMS-BP shall share Contractor’s costs for delivery and purchase of the materials described in paragraph 2a (the “Shared Costs”). The Shared Costs shall include EMS-BP, INC’ proportionate share of Contractor’s costs associated with the production and delivery of the services and materials described in paragraph 2a,

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including Contractor's overhead costs (such as rent, utilities, sales tax, employee costs, warehousing), but excluding Freight Out. EMS-BP proportionate share of costs shall be based on its proportionate percentage of total purchases compared to all curriculum purchases by all purchasers. In determining EMS-BP's proportionate share of Contractor's costs, Contractor shall invoice EMS-BP for (1) the actual cost of books and curriculum and (2) estimated overhead charges. Any necessary adjustments between EMS-BP's actual proportionate share of costs and the cumulative billed estimate shall be subject to adjustment on a twelve-month cycle.

b. Invoices shall be submitted to EMS-BP by Contractor with each shipment of materials. Payment shall be due within 30 days of billing. Interest at the rate of 1.5 percent per month (18% Annual Percentage Rate) shall be charged on any unpaid balances in excess of 30 days.

5. Ownership

All physical written materials and programming documentation originated and prepared for EMS-BP by Contractor pursuant to this Agreement shall belong to EMS-BP, but Owner shall retain the copyright in all materials.

The Parties acknowledge that EMS-BP will contribute substantively to the form and content of materials prepared by Contractor pursuant to the terms of this Agreement. Accordingly, the Parties agree that any copyright interests or other ownership rights related to the materials shall be the property of both Parties hereto and that each Party shall equally enjoy all benefits and rights arising out of such copyright and ownership interests

6. Independent Contractor Status

It is expressly agreed and understood that Contractor, including its employees and/or subcontractors, is performing services under this Agreement as an independent contractor for EMS-BP and neither Contractor nor any of its employees or subcontractors is an employee or agent of EMS-BP. EMS-BP's liability hereunder shall be limited to payment of the fees provided in this Agreement. All liability to the persons actually providing services under this Agreement or related to the providing of such services, including but not limited to, payment of wages or other compensation, withholding of taxes and similar charges related to such wages or other compensation, and Worker's Compensation, shall be the sole responsibility of Contractor.

7. Confidentiality

All materials and information of EMS-BP which Contractor gains access to or knowledge of in the performance of this Agreement shall be deemed confidential. Contractor agrees to take all possible precautions to guard the confidentiality of such materials and information and to limit access to such information to its authorized agents and employees.

8. Excused Performance

Neither party shall be liable for any failure to perform or for delayed performance of any obligation under this Agreement if such performance is prevented, hindered or delayed by reason of any cause beyond its reasonable control, including, without limitation, any labor dispute, strike, or other industrial disturbance, Act of God, flood, earthquake, casualty, war, act of public enemy, riot, insurrection, embargo, law or court action, and regulation or order of any government, government agency or subdivision thereof.

9. Amendment

This Agreement may be amended only in writing by both parties.

10. Assignment

Neither party may assign, without the other party's prior written consent, this Agreement or any right or obligation hereunder, and any and all assignments without said prior written consent shall be deemed void.

11. Arbitration

The parties agree that each dispute, controversy or claim arising out of or relating to this Agreement shall be settled by binding arbitration before an arbitrator selected from a panel of members of JAMS (Judicial Arbitration and Mediation Service) in Los Angeles, California, in accordance with California law. Judgment on the award rendered by the arbitrator may be entered in any court having competent jurisdiction. The decision of the arbitrator as to damages, injunctive relief and all other matters comprising the decision shall be enforceable and included in any judgment on the award of the arbitrator. The parties shall be entitled to all rights of discovery provided by the California Code of Civil Procedure, provided, however, that the arbitrator may omit discovery for good cause shown or in the interests of justice in order to ensure that the arbitration proceeds in a fair and efficient manner.

12. Entire Agreement

This Agreement represents the entire understanding of the parties hereto and supersedes all prior written or oral agreements with respect to the subject matter hereof.

13. Governing Law

This Agreement shall be governed by the laws of the State of California.

EMS-BALDWIN PARK, Inc.
a California nonprofit corporation

By: avil Toom
Title: Deputy Superintendent
Date: 3/25/2009

OPTIONS FOR YOUTH, INC.,
A California nonprofit corporation

By: [Signature]
Title: Deputy Superintendent
Date: June 2, 2009



CURRICULUM DELIVERY AGREEMENT

EDUCATION MANAGEMENT SYSTEM – WILLIAM S. HART, a California nonprofit corporation ("EMS-WSH"), does hereby retain OPTIONS FOR YOUTH, INC., a California nonprofit corporation ("Contractor") to furnish the below-described services and materials upon the following terms and conditions:

1. Term and Termination

This Agreement shall be effective as of July 1, 2008 and shall continue in effect until June 30, 2010 unless terminated by either party upon sixty (60) days written notice.

2. Services and Materials Provided By Contractor

- a. Contractor shall provide to EMS-WSH the following services and materials:
 - (i) Order and deliver curriculum for academic recovery ("AR") and experiential learning ("EL") classes;
 - (ii) Order and deliver office and school supplies; and
 - (iii) Provide standard ordering information for new center set up.
- b. Contractor agrees to perform all services hereunder to EMS-WSH reasonable satisfaction.

3. Non-transference of Title and Rights

This Agreement is for services only. Notwithstanding the foregoing, in the event that Contractor is requested to reproduce and deliver materials originally created by EMS-WSH or by a third party for the benefit of EMS-WSH, all rights and title to said materials shall be retained by EMS-WSH.

4. Shared Costs

- a. In consideration for Contractor providing the above-described services, EMS-WSH shall share Contractor's costs for delivery and purchase of the materials described in paragraph 2a (the "Shared Costs"). The Shared Costs shall include EMS-WSH, INC' proportionate share of Contractor's costs

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associated with the production and delivery of the services and materials described in paragraph 2a, including Contractor's overhead costs (such as rent, utilities, sales tax, employee costs, warehousing), but excluding Freight Out. EMS-WSH proportionate share of costs shall be based on its proportionate percentage of total purchases compared to all curriculum purchases by all purchasers. In determining EMS-WSH's proportionate share of Contractor's costs, Contractor shall invoice EMS-WSH for (1) the actual cost of books and curriculum and (2) estimated overhead charges. Any necessary adjustments between EMS-WSH's actual proportionate share of costs and the cumulative billed estimate shall be subject to adjustment on a twelve-month cycle.

b. Invoices shall be submitted to EMS-WSH by Contractor with each shipment of materials. Payment shall be due within 30 days of billing. Interest at the rate of 1.5 percent per month (18% Annual Percentage Rate) shall be charged on any unpaid balances in excess of 30 days.

5. Ownership

All physical written materials and programming documentation originated and prepared for EMS-WSH by Contractor pursuant to this Agreement shall belong to EMS-WSH, but Owner shall retain the copyright in all materials.

The Parties acknowledge that EMS-WSH will contribute substantively to the form and content of materials prepared by Contractor pursuant to the terms of this Agreement. Accordingly, the Parties agree that any copyright interests or other ownership rights related to the materials shall be the property of both Parties hereto and that each Party shall equally enjoy all benefits and rights arising out of such copyright and ownership interests

6. Independent Contractor Status

It is expressly agreed and understood that Contractor, including its employees and/or subcontractors, is performing services under this Agreement as an independent contractor for EMS-WSH and neither Contractor nor any of its employees or subcontractors is an employee or agent of EMS-WSH. EMS-WSH's liability hereunder shall be limited to payment of the fees provided in this Agreement. All liability to the persons actually providing services under this Agreement or related to the providing of such services, including but not limited to, payment of wages or other compensation, withholding of taxes and similar charges related to such wages or other compensation, and Worker's Compensation, shall be the sole responsibility of Contractor.

7. Confidentiality

All materials and information of EMS-WSH which Contractor gains access to or knowledge of in the performance of this Agreement shall be deemed confidential. Contractor agrees to take all possible precautions to guard the confidentiality of

such materials and information and to limit access to such information to its authorized agents and employees.

8. Excused Performance

Neither party shall be liable for any failure to perform or for delayed performance of any obligation under this Agreement if such performance is prevented, hindered or delayed by reason of any cause beyond its reasonable control, including, without limitation, any labor dispute, strike, or other industrial disturbance, Act of God, flood, earthquake, casualty, war, act of public enemy, riot, insurrection, embargo, law or court action, and regulation or order of any government, government agency or subdivision thereof.

9. Amendment

This Agreement may be amended only in writing by both parties.

10. Assignment

Neither party may assign, without the other party's prior written consent, this Agreement or any right or obligation hereunder, and any and all assignments without said prior written consent shall be deemed void.

11. Arbitration

The parties agree that each dispute, controversy or claim arising out of or relating to this Agreement shall be settled by binding arbitration before an arbitrator selected from a panel of members of JAMS (Judicial Arbitration and Mediation Service) in Los Angeles, California, in accordance with California law. Judgment on the award rendered by the arbitrator may be entered in any court having competent jurisdiction. The decision of the arbitrator as to damages, injunctive relief and all other matters comprising the decision shall be enforceable and included in any judgment on the award of the arbitrator. The parties shall be entitled to all rights of discovery provided by the California Code of Civil Procedure, provided, however, that the arbitrator may omit discovery for good cause shown or in the interests of justice in order to ensure that the arbitration proceeds in a fair and efficient manner.

12. Entire Agreement

This Agreement represents the entire understanding of the parties hereto and supersedes all prior written or oral agreements with respect to the subject matter hereof.

13. Governing Law

This Agreement shall be governed by the laws of the State of California.

EMS-WILLIAM S. HART, Inc.
a California nonprofit corporation

By: Willie Tommy
Title: Deputy Superintendent
Date: 3/25/2009

OPTIONS FOR YOUTH, INC.,
A California nonprofit corporation

By: [Signature]
Title: Deputy Superintendent
Date: June 2, 2009



CURRICULUM DELIVERY AGREEMENT

EDUCATION MANAGEMENT SYSTEM - CAPISTRANO, INC, a California nonprofit corporation ("EMS CAPISTRANO"), does hereby retain OPTIONS FOR YOUTH, INC., a California nonprofit corporation ("Contractor") to furnish the below-described services and materials upon the following terms and conditions:

1. Term and Termination

This Agreement shall be effective as of July 1, 2008 and shall continue in effect until June 30, 2010 unless terminated by either party upon sixty (60) days written notice.

2. Services and Materials Provided By Contractor

a. Contractor shall provide to EMS CAPISTRANO the following services and materials:

- (i) Order and deliver curriculum for academic recovery ("AR") and experiential learning ("EL") classes;
- (ii) Order and deliver office and school supplies; and
- (iii) Provide standard ordering information for new center set up.

b. Contractor agrees to perform all services hereunder to EMS CAPISTRANO reasonable satisfaction.

3. Non-transference of Title and Rights

This Agreement is for services only. Notwithstanding the foregoing, in the event that Contractor is requested to reproduce and deliver materials originally created by EMS CAPISTRANO or by a third party for the benefit of EMS CAPISTRANO, all rights and title to said materials shall be retained by EMS CAPISTRANO.

4. Shared Costs

a. In consideration for Contractor providing the above-described services, EMS CAPISTRANO shall share Contractor's costs for delivery and purchase of the materials described in paragraph 2a (the "Shared Costs"). The Shared Costs shall include EMS CAPISTRANO proportionate share of Contractor's costs

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associated with the production and delivery of the services and materials described in paragraph 2a, including Contractor's overhead costs (such as rent, utilities, sales tax, employee costs, warehousing), but excluding Freight Out. EMS CAPISTRANO proportionate share of costs shall be based on its proportionate percentage of total purchases compared to all curriculum purchases by all purchasers. In determining EMS CAPISTRANO's proportionate share of Contractor's costs, Contractor shall invoice EMS CAPISTRANO for (1) the actual cost of books and curriculum and (2) estimated overhead charges. Any necessary adjustments between EMS CAPISTRANO's actual proportionate share of costs and the cumulative billed estimate shall be subject to adjustment on a twelve-month cycle.

b. Invoices shall be submitted to EMS CAPISTRANO by Contractor with each shipment of materials. Payment shall be due within 30 days of billing. Interest at the rate of 1.5 percent per month (18% Annual Percentage Rate) shall be charged on any unpaid balances in excess of 30 days.

5. Ownership

All physical written materials and programming documentation originated and prepared for EMS CAPISTRANO by Contractor pursuant to this Agreement shall belong to EMS CAPISTRANO, but Owner shall retain the copyright in all materials.

The Parties acknowledge that EMS CAPISTRANO will contribute substantively to the form and content of materials prepared by Contractor pursuant to the terms of this Agreement. Accordingly, the Parties agree that any copyright interests or other ownership rights related to the materials shall be the property of both Parties hereto and that each Party shall equally enjoy all benefits and rights arising out of such copyright and ownership interests

6. Independent Contractor Status

It is expressly agreed and understood that Contractor, including its employees and/or subcontractors, is performing services under this Agreement as an independent contractor for EMS CAPISTRANO and neither Contractor nor any of its employees or subcontractors is an employee or agent of EMS CAPISTRANO. EMS CAPISTRANO's liability hereunder shall be limited to payment of the fees provided in this Agreement. All liability to the persons actually providing services under this Agreement or related to the providing of such services, including but not limited to, payment of wages or other compensation, withholding of taxes and similar charges related to such wages or other compensation, and Worker's Compensation, shall be the sole responsibility of Contractor.

7. Confidentiality

All materials and information of EMS CAPISTRANO which Contractor gains access to or knowledge of in the performance of this Agreement shall be deemed

confidential. Contractor agrees to take all possible precautions to guard the confidentiality of such materials and information and to limit access to such information to its authorized agents and employees.

8. Excused Performance

Neither party shall be liable for any failure to perform or for delayed performance of any obligation under this Agreement if such performance is prevented, hindered or delayed by reason of any cause beyond its reasonable control, including, without limitation, any labor dispute, strike, or other industrial disturbance, Act of God, flood, earthquake, casualty, war, act of public enemy, riot, insurrection, embargo, law or court action, and regulation or order of any government, government agency or subdivision thereof.

9. Amendment

This Agreement may be amended only in writing by both parties.

10. Assignment

Neither party may assign, without the other party's prior written consent, this Agreement or any right or obligation hereunder, and any and all assignments without said prior written consent shall be deemed void.

11. Arbitration

The parties agree that each dispute, controversy or claim arising out of or relating to this Agreement shall be settled by binding arbitration before an arbitrator selected from a panel of members of JAMS (Judicial Arbitration and Mediation Service) in Los Angeles, California, in accordance with California law. Judgment on the award rendered by the arbitrator may be entered in any court having competent jurisdiction. The decision of the arbitrator as to damages, injunctive relief and all other matters comprising the decision shall be enforceable and included in any judgment on the award of the arbitrator. The parties shall be entitled to all rights of discovery provided by the California Code of Civil Procedure, provided, however, that the arbitrator may omit discovery for good cause shown or in the interests of justice in order to ensure that the arbitration proceeds in a fair and efficient manner.

12. Entire Agreement

This Agreement represents the entire understanding of the parties hereto and supersedes all prior written or oral agreements with respect to the subject matter hereof.

13. Governing Law

This Agreement shall be governed by the laws of the State of California.

EMS CAPISTRANO, INC.
a California nonprofit corporation

By: *Wills Tooming*
Title: *Deputy Superintendent*
Date: *3/25/2009*

OPTIONS FOR YOUTH, INC.,
A California nonprofit corporation

By: *Jilli*
Title: *Deputy Superintendent*
Date: *June 2, 2009*



CURRICULUM DELIVERY AGREEMENT

EDUCATION MANAGEMENT SYSTEM – BALDWIN PARK II, a California nonprofit corporation (“EMS-BP II”), does hereby retain OPTIONS FOR YOUTH, INC., a California nonprofit corporation (“Contractor”) to furnish the below-described services and materials upon the following terms and conditions:

1. Term and Termination

This Agreement shall be effective as of July 1, 2008 and shall continue in effect until June 30, 2010 unless terminated by either party upon sixty (60) days written notice.

2. Services and Materials Provided By Contractor

- a. Contractor shall provide to EMS-BP II the following services and materials:
 - (i) Order and deliver curriculum for academic recovery (“AR”) and experiential learning (“EL”) classes;
 - (j) Order and deliver office and school supplies; and
 - (i) Provide standard ordering information for new center set up.
- b. Contractor agrees to perform all services hereunder to EMS-BP II reasonable satisfaction.

3. Non-transference of Title and Rights

This Agreement is for services only. Notwithstanding the foregoing, in the event that Contractor is requested to reproduce and deliver materials originally created by EMS-BP II or by a third party for the benefit of EMS-BP II, all rights and title to said materials shall be retained by EMS-BP II.

4. Shared Costs

- a. In consideration for Contractor providing the above-described services, EMS-BP II shall share Contractor’s costs for delivery and purchase of the materials described in paragraph 2a (the “Shared Costs”). The Shared Costs shall include EMS-BP II, INC’ proportionate share of Contractor’s costs associated with the production and delivery of the services and materials

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described in paragraph 2a, including Contractor's overhead costs (such as rent, utilities, sales tax, employee costs, warehousing), but excluding Freight Out. EMS-BP II proportionate share of costs shall be based on its proportionate percentage of total purchases compared to all curriculum purchases by all purchasers. In determining EMS-BP II's proportionate share of Contractor's costs, Contractor shall invoice EMS-BP II for (1) the actual cost of books and curriculum and (2) estimated overhead charges. Any necessary adjustments between EMS-BP II's actual proportionate share of costs and the cumulative billed estimate shall be subject to adjustment on a twelve-month cycle.

b. Invoices shall be submitted to EMS-BP II by Contractor with each shipment of materials. Payment shall be due within 30 days of billing. Interest at the rate of 1.5 percent per month (18% Annual Percentage Rate) shall be charged on any unpaid balances in excess of 30 days.

5. Ownership

All physical written materials and programming documentation originated and prepared for EMS-BP II by Contractor pursuant to this Agreement shall belong to EMS-BP II, but Owner shall retain the copyright in all materials.

The Parties acknowledge that EMS-BP II will contribute substantively to the form and content of materials prepared by Contractor pursuant to the terms of this Agreement. Accordingly, the Parties agree that any copyright interests or other ownership rights related to the materials shall be the property of both Parties hereto and that each Party shall equally enjoy all benefits and rights arising out of such copyright and ownership interests.

6. Independent Contractor Status

It is expressly agreed and understood that Contractor, including its employees and/or subcontractors, is performing services under this Agreement as an independent contractor for EMS-BP II and neither Contractor nor any of its employees or subcontractors is an employee or agent of EMS-BP II. EMS-BP II's liability hereunder shall be limited to payment of the fees provided in this Agreement. All liability to the persons actually providing services under this Agreement or related to the providing of such services, including but not limited to, payment of wages or other compensation, withholding of taxes and similar charges related to such wages or other compensation, and Worker's Compensation, shall be the sole responsibility of Contractor.

7. Confidentiality

All materials and information of EMS-BP II which Contractor gains access to or knowledge of in the performance of this Agreement shall be deemed confidential. Contractor agrees to take all possible precautions to guard the confidentiality of such materials and information and to limit access to such information to its authorized agents and employees.

8. Excused Performance

Neither party shall be liable for any failure to perform or for delayed performance of any obligation under this Agreement if such performance is prevented, hindered or delayed by reason of any cause beyond its reasonable control, including, without limitation, any labor dispute, strike, or other industrial disturbance, Act of God, flood, earthquake, casualty, war, act of public enemy, riot, insurrection, embargo, law or court action, and regulation or order of any government, government agency or subdivision thereof.

9. Amendment

This Agreement may be amended only in writing by both parties.

10. Assignment

Neither party may assign, without the other party's prior written consent, this Agreement or any right or obligation hereunder, and any and all assignments without said prior written consent shall be deemed void.

11. Arbitration

The parties agree that each dispute, controversy or claim arising out of or relating to this Agreement shall be settled by binding arbitration before an arbitrator selected from a panel of members of JAMS (Judicial Arbitration and Mediation Service) in Los Angeles, California, in accordance with California law. Judgment on the award rendered by the arbitrator may be entered in any court having competent jurisdiction. The decision of the arbitrator as to damages, injunctive relief and all other matters comprising the decision shall be enforceable and included in any judgment on the award of the arbitrator. The parties shall be entitled to all rights of discovery provided by the California Code of Civil Procedure, provided, however, that the arbitrator may omit discovery for good cause shown or in the interests of justice in order to ensure that the arbitration proceeds in a fair and efficient manner.

12. Entire Agreement

This Agreement represents the entire understanding of the parties hereto and supersedes all prior written or oral agreements with respect to the subject matter hereof.

13. Governing Law

This Agreement shall be governed by the laws of the State of California.

EMS-BALDWIN PARK II, Inc.
a California nonprofit corporation

By: Will Toomy
Title: Deputy Superintendent
Date: 3/25/2009

OPTIONS FOR YOUTH, INC.,
A California nonprofit corporation

By: [Signature]
Title: Deputy Superintendent
Date: June 2, 2009