

**Appendix O**  
**Startup and Operating Budgets**

## intro & assumptions

ENG Charter School

worksheet key

= input (flexible) cells

## notes

### general notes

- all expenses & revenues are variable based on # of students, staff members, etc; these variables are explicitly stated in each line item
- unless otherwise indicated in input columns/cells, 3% inflation is applied to all revenues & expenditures
- per pupil tuition increases @ 2% per year

### key sensitivities

- labor cost is the major expense driver; salaries are currently estimated to rise at the rate of inflation, but this is uncertain
- PSERS & health insurance expenses are projected to increase faster than inflation (published rates used for PSERS; health ins expected to increase at 3% in real dollars)

CASH FLOW PROJECTION Supporting Worksheets														
ENG Charter School	July	AUG	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Annual Budget	Variance
Beginning Cash Plus Receipts	313,025	309,398	126,667	137,660	197,264	156,512	156,512	156,512	156,512	156,512	156,512	156,512	1,679,150	-
Per pupil funding - regular education	192,076	196,512	196,512	196,512	196,512	196,512	196,512	196,512	196,512	196,512	196,512	196,512	1,879,150	-
Per pupil funding - special education		51,028	51,028	51,028	51,028	51,028	51,028	51,028	51,028	51,028	51,028	51,028	612,456	-
PSERS reimbursement													61,167	20,388
Facilities Grant													4,356	4,356
Title I													25,700	-
Title II													2,570	-
Federal Lunch Program													0	-
IDEA pass-through													0	-
LOC													0	-
<b>Total Receipts</b>	<b>415,101</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>307,985</b>	<b>3,684,442</b>	<b>2,699,187</b>
<b>Less Disbursements</b>														
Salaries & Benefits - (12 month)			131,431	131,431	131,431	131,431	131,431	131,431	131,431	131,431	131,431	131,431	1,514,329	1,577,170
Business Services			6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	80,000	80,000
Audit Services													0	0
Legal Services			2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	24,806	24,806
Start Up Services			2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	16,000	16,000
Professional development			3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	37,500	37,500
Payroll Services			284	284	284	284	284	284	284	284	284	284	2,836	2,836
Therapy Services (speech, occ, psych)			2,376	2,376	2,376	2,376	2,376	2,376	2,376	2,376	2,376	2,376	23,760	23,760
E-Rate management			600	600	600	600	600	600	600	600	600	600	5,000	5,000
Food service													0	0
Student services (field trips, etc.)			960	960	960	960	960	960	960	960	960	960	9,600	9,600
After School & extended Programs			2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	16,000	16,000
total insurance			1,719	1,719	1,719	1,719	1,719	1,719	1,719	1,719	1,719	1,719	18,914	18,914
Administrative supplies			1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	19,800	19,800
Student Supplies			2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	26,700	26,700
travel			191	191	191	191	191	191	191	191	191	191	2,100	2,100
transportation			1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	12,600	12,600
printing & binding			955	955	955	955	955	955	955	955	955	955	10,500	10,500
postage & shipping			191	191	191	191	191	191	191	191	191	191	2,100	2,100
books/instructional aids			79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	800,000	800,000
instructional software			4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	56,400	56,400
office furniture			15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	165,000	165,000
student furniture			24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	250,000	250,000
staff computers			10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	110,250	110,250
student computers			25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	262,500	262,500
software			900	900	900	900	900	900	900	900	900	900	9,000	9,000
site costs			32,881	32,881	32,881	32,881	32,881	32,881	32,881	32,881	32,881	32,881	362,750	362,750
LOC													0	0
<b>Total Disbursements</b>	<b>206,332</b>	<b>291,643</b>	<b>195,347</b>	<b>195,347</b>	<b>195,347</b>	<b>195,347</b>	<b>195,347</b>	<b>195,347</b>	<b>195,347</b>	<b>195,347</b>	<b>195,347</b>	<b>195,347</b>	<b>2,336,114</b>	<b>2,498,575</b>
<b>Ending Cash Balance</b>	<b>108,793</b>	<b>116,352</b>	<b>112,619</b>	<b>112,619</b>	<b>112,619</b>	<b>112,619</b>	<b>112,619</b>	<b>112,619</b>	<b>112,619</b>	<b>112,619</b>	<b>112,619</b>	<b>112,619</b>	<b>1,348,328</b>	<b>(1,102,388)</b>

(1) 348,728 CASH Balance June 30  
 20,298 PSERS payment after fiscal year end  
 4,356 field reimbursement after fiscal year end  
 (52,802) Salaries for staff whose contract runs August - July

**116,611 Total Accrual Surplus**

**ENG Charter School**

	2013	2014	2015	2016	2017
<b>Revenues</b>					
Local					
Per pupil funding - regular education	\$ 1,878,150	\$ 2,238,603	\$ 2,631,686	\$ 3,039,597	\$ 3,261,448
Per pupil funding - special education	\$ 612,455	\$ 729,997	\$ 858,180	\$ 991,198	\$ 1,063,542
Total local funding	\$ 2,490,605	\$ 2,968,600	\$ 3,489,866	\$ 4,030,795	\$ 4,324,991
State					
Social security reimbursement					
PSERS reimbursement	\$ 81,556	\$ 131,883	\$ 181,490	\$ 217,590	\$ 235,437
Start-up Grant					
Facilities Grant	\$ 4,356	\$ 5,192	\$ 5,984	\$ 6,778	\$ 7,128
total state funding	\$ 85,912	\$ 137,075	\$ 187,474	\$ 224,368	\$ 242,565
Federal					
Title I	\$ 29,700	\$ 36,108	\$ 42,448	\$ 49,028	\$ 52,606
Title II	\$ 2,970	\$ 3,611	\$ 4,245	\$ 4,903	\$ 5,261
Federal Lunch Program					
IDEA pass-through		\$ 14,905	\$ 18,120	\$ 21,302	\$ 24,604
Total federal funding	\$ 32,670	\$ 54,623	\$ 64,814	\$ 75,233	\$ 82,471
Other					
private contributions					
student activity					
<b>Total Revenues</b>	<b>\$ 2,609,187</b>	<b>\$ 3,160,298</b>	<b>\$ 3,742,153</b>	<b>\$ 4,330,394</b>	<b>\$ 4,650,027</b>
<b>Expenditures</b>					
personnel expenses	1,577,170	2,080,685	2,458,390	2,893,667	3,091,518
contracted services	191,201	230,491	253,867	281,213	283,943
student activities	29,700	35,400	40,600	48,200	48,600
insurance	18,914	19,740	20,613	21,496	21,975
consumable supplies	49,500	60,770	72,141	84,140	91,166
travel, telephone, printing	27,300	34,814	39,996	46,878	49,747
books/instructional aids	129,700	106,462	113,285	120,484	124,700
equipment	170,400	75,404	75,466	80,892	83,086
site costs	362,790	396,157	399,738	403,738	411,837
<b>Total Expenditures</b>	<b>\$ 2,556,675</b>	<b>\$ 3,039,924</b>	<b>\$ 3,474,295</b>	<b>\$ 3,978,709</b>	<b>\$ 4,206,572</b>
<b>Net change in fund balance</b>	<b>\$ 52,511</b>	<b>\$ 120,375</b>	<b>\$ 267,858</b>	<b>\$ 351,686</b>	<b>\$ 443,455</b>
	2.0%	3.8%	7.2%	8.1%	9.5%
<b>Beginning fund balance</b>	<b>\$ 5,000</b>	<b>\$ 57,511</b>	<b>\$ 177,886</b>	<b>\$ 445,744</b>	<b>\$ 797,430</b>
<b>Ending fund balance</b>	<b>\$ 57,511</b>	<b>\$ 177,886</b>	<b>\$ 445,744</b>	<b>\$ 797,430</b>	<b>\$ 1,240,885</b>

ENG Charter School

REVENUES

revenue inflation rate >>> 2.0%

	driver #1	2013	2014	2015	2016	2017
revenue growth factor		1.00	1.02	1.04	1.06	1.08
<b>local revenues</b>						
driver: projected annual per pupil increase		2.0%	2.0%	2.0%	2.0%	2.0%
projected annual per pupil growth factor		1.02	1.04	1.06	1.08	1.10
Per pupil - RegEd	\$ 10,361 average per pupil rate based on PDE site August 2012	1,878,150	2,238,603	2,631,686	3,039,587	3,261,448
Per pupil - SpEd	\$ 24,776 average per pupil rate based on PDE site August 2012	612,455	729,997	858,180	981,198	1,063,542
<b>total local revenues</b>		\$ 2,490,605	\$ 2,968,600	\$ 3,489,866	\$ 4,020,785	\$ 4,324,991
<b>state revenues</b>						
Social security reimbursement	0% of non-federal FICA expense	-	-	-	-	-
PSERS reimbursement	46% of PSERS expense	81,566	131,883	181,490	217,590	235,437
Start-up Grant		-	-	-	-	-
Facilities Grant	\$ 220 per pupil	4,356	5,192	5,984	6,776	7,128
	10% market aid ratio	-	-	-	-	-
<b>total state revenues</b>		85,912	137,075	187,474	224,366	242,565
<b>federal revenues</b>						
Title I	\$ 500 per applicable stud.	29,700	36,108	42,448	49,028	52,606
Title II	\$ 50 per applicable stud.	2,970	3,611	4,245	4,903	5,201
Title III	- per applicable stud.	-	-	-	-	-
IDEA pass-through	\$ 615 per applicable stud.	-	14,905	18,120	21,302	24,604
Lunch program	\$ - per applicable stud.	-	-	-	-	-
<b>total federal revenues</b>		32,670	54,623	64,814	75,233	82,471
<b>other revenues</b>						
private contributions		\$ -	\$ -	\$ -	\$ -	\$ -
student activity		\$ -	\$ -	\$ -	\$ -	\$ -
<b>total other revenues</b>		\$ -	\$ -	\$ -	\$ -	\$ -
<b>total</b>		\$ 2,609,187	\$ 3,160,298	\$ 3,742,153	\$ 4,330,394	\$ 4,650,027

**Elvo Charter School**

**EXPENSES**

assumes inflation rate of **3.0%**

function	object	units	unit \$1	unit \$2	2013	2014	2015	2016	2017
<b>personnel expenses</b>					1.0	1.0	1.0	1.0	1.0
driver: projected annual PSEERS ER rate					25.75%	21.25%	25.66%	26.20%	26.00%
Salaries	100		"Personal" tab		1,082,000	1,376,170	1,577,268	1,841,333	1,902,278
Health & dental ins	218		18.00% of tot salary	1.25% real growth rate	207,026	273,647	329,439	382,854	426,875
Unemployment ins	718		\$ 308.00 per employee		6,300	7,600	8,700	9,900	10,200
FICA	223		7.65% of tot salary		82,773	108,507	120,764	143,862	148,245
PSEERS	230		annual rate		181,233	202,074	402,311	453,534	525,364
unemployment ins	260		3.70% of tot salary		4,214	7,226	8,584	9,780	10,094
workers comp	260		1.92% of tot salary		18,823	12,732	15,773	18,413	18,022
<b>total personnel expenses</b>					<b>1,577,133</b>	<b>2,006,869</b>	<b>2,468,309</b>	<b>2,933,057</b>	<b>3,091,818</b>
<b>contracted services</b>									
Business Services	2600	330	\$ 83,000 base rate		61,839	51,862	61,854	61,869	67,201
Legal Services	2650	300	\$ 18,000 base rate		-	74,000	54,620	54,869	15,258
Substitute Teacher Services	1100	306	1.2% of per pupil rev		24,800	20,990	24,889	20,200	43,258
Start-Up Services	2000	300	\$ 10,000 per teacher		12,200	10,000	10,000	21,600	21,600
Music Education	1100	300	\$ 10,000 per year, per 1-4		10,000	10,000	10,000	10,000	10,000
Professional development	2070	304	\$ 20,000 per year		30,000	21,000	22,950	23,150	28,216
Payroll Services	2650	326	\$ 1,335 per FTE		31,500	40,170	46,149	54,090	57,401
Therapy Services (speech, occ, psych)	1730	328	\$ 1,000 per applicable pupil		2,696	2,616	4,102	4,088	2,100
IT-Risk Management	340	340	\$ 5,000 base rate		23,700	25,170	34,620	46,587	43,700
Food Services	2100	323	\$ 5,000 per pupil		5,000	6,190	5,300	5,464	5,829
<b>total contracted services</b>					<b>191,201</b>	<b>230,991</b>	<b>249,867</b>	<b>281,213</b>	<b>282,843</b>
<b>student activities</b>									
Student Services (after lunch, etc.)	3200	320	\$ 50 per pupil		6,000	11,600	13,850	16,400	16,200
After School & Extended Programs	3200	320	\$ 100 per pupil		15,000	22,000	27,250	30,800	32,400
<b>total student activities</b>					<b>21,000</b>	<b>33,600</b>	<b>41,100</b>	<b>47,200</b>	<b>48,600</b>
<b>insurance</b>									
property, general liability	2600	320	\$ 15,000 base	0.15% increase per year	18,214	18,740	23,613	21,480	21,875
<b>total insurance</b>					<b>18,214</b>	<b>18,740</b>	<b>23,613</b>	<b>21,480</b>	<b>21,875</b>
<b>consumable supplies</b>									
administrative	2260	010	\$ 100 per student		12,820	24,128	28,855	32,024	34,496
instructional	1100	010	\$ 150 per student		23,720	30,482	43,285	50,484	64,706
<b>total consumable supplies</b>					<b>36,540</b>	<b>54,610</b>	<b>72,140</b>	<b>82,508</b>	<b>99,202</b>
<b>other services</b>									
Travel	580		\$ 100 per FTE		2,100	2,670	3,071	3,604	3,877
Telephone/Internet	430		\$ 500 per FTE		15,600	16,080	16,460	21,628	22,883
printing & shipping	660		\$ 500 per FTE		10,500	13,890	15,363	16,024	18,134
postage & shipping	830		\$ 100 per FTE		2,100	2,670	3,071	3,604	3,877
<b>total other services</b>					<b>20,300</b>	<b>34,810</b>	<b>38,964</b>	<b>44,856</b>	<b>48,771</b>
<b>books/instructional aids</b>									
books/instructional aids	1700	448			100,000	75,000	75,000	75,000	70,000
instructional software	1700	518	\$ 100 per student		18,620	24,248	28,854	33,750	38,400
Assessments	1700	523	\$ 50 per student		9,899	13,184	14,428	16,820	18,203
<b>total books/instructional aids</b>					<b>128,519</b>	<b>112,432</b>	<b>118,282</b>	<b>125,570</b>	<b>126,603</b>
<b>equipment</b>									
office furniture	2300	750	\$ 28,000 start-up		23,800	15,864	10,300	10,000	10,000
student furniture	1100	750	\$ 250 per student per year 1		49,500	7,563	7,500	7,500	1,000
staff computers	1100	750	\$ 1,300 per FTE year 1		21,000	5,000	5,000	5,000	5,000
student computers	1100	750			60,000	20,000	20,000	24,200	20,000
IT/IT	1100	750			15,000	15,150	15,250	17,284	18,203
software	1100	757	\$ 90 per pupil		9,800	12,194	14,428	16,820	18,203
<b>total equipment</b>					<b>179,100</b>	<b>76,804</b>	<b>78,858</b>	<b>83,804</b>	<b>83,003</b>
<b>site costs</b>									
building rent	2630	441	\$ 12.00 per sq ft		348,795	381,737	341,738	381,738	385,021
heating	2630	470	\$ 1.00 per sq ft		-	-	-	-	-
electric	2630	458	\$ 1.50 per sq ft		-	-	-	-	-
repairs & maintenance	2630	458	\$ 0.70 per sq ft		14,000	14,420	18,000	22,800	26,000
<b>total site costs</b>					<b>362,795</b>	<b>396,157</b>	<b>359,738</b>	<b>404,538</b>	<b>411,021</b>
<b>TOTAL</b>					<b>\$ 2,696,676</b>	<b>\$ 3,039,663</b>	<b>\$ 3,474,285</b>	<b>\$ 3,678,708</b>	<b>\$ 4,226,172</b>

ENG Charter School

students

	2013	2014	2015	2016	2017
<b>students by grade</b>					
k	36	36	36	36	36
1	36	36	36	36	36
2	36	36	36	36	36
3	36	36	36	36	36
4	36	36	36	36	36
5	18	36	36	36	36
6		20	36	36	36
7			20	36	36
8				20	36
<b>total</b>	<b>198</b>	<b>236</b>	<b>272</b>	<b>308</b>	<b>324</b>
<b>percentage SpEd</b>	12%	12%	12%	12%	12%
<b># SpEd</b>	24	28	33	37	39
<b># RegEd</b>	174	208	239	271	285
<b>% FRPL</b>	30%	30%	30%	30%	30%
<b># FRPL</b>	59	71	82	92	97

ENG Charter School

personnel

salary inflation rate >> 3.5%

Position	Function	Base salary	FTEs					Salary Expense				
			2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
<b>administration</b>												
Co-Director	2380	\$ 105,000 \$/FTE	1.0	1.0	1.0	1.0	1.0	105,000	111,395	114,735	118,175	121,724
Co-Director	2380	\$ 90,000 \$/FTE	1.0	1.0	1.0	1.0	1.0	90,000	95,481	98,345	101,296	104,335
Administrative assistant	2380	\$ 36,000 \$/FTE	1.0	1.0	1.0	1.0	1.0	36,000	38,192	39,339	40,518	41,734
School secretary	2380	\$ 26,000 \$/FTE	-	1.0	1.0	1.0	1.0	-	27,583	28,411	29,263	30,141
Operations Manager	2600	\$ 45,000 \$/FTE	1.0	1.0	1.0	1.0	1.0	45,000	47,741	49,173	50,648	52,167
<b>administration - total</b>			<b>4.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>276,000</b>	<b>320,392</b>	<b>330,004</b>	<b>339,904</b>	<b>350,101</b>
<b>instruction</b>												
Reading/Math Specialists	1100	\$ 48,000 \$/FTE	1.0	2.0	2.0	2.0	2.0	48,000	101,846	104,802	108,049	111,290
Academic Teachers	1100	\$ 48,000 \$/FTE	11.0	13.0	15.0	18.0	18.0	528,000	602,002	786,783	972,440	1,001,813
ELL & Spanish	1100	\$ 48,000 \$/FTE	1.0	1.0	2.0	2.0	3.0	48,000	50,823	104,802	108,049	166,835
Special Instructors	1100	\$ 38,000 \$/FTE	1.0	1.0	1.0	1.0	1.0	38,000	40,314	41,824	42,799	44,052
Special education	1200	\$ 48,000 \$/FTE	1.0	2.0	2.0	3.0	3.0	48,000	101,846	104,802	162,073	166,835
	1200	\$/FTE	-	-	-	-	-	-	-	-	-	-
	1100	\$/FTE	-	-	-	-	-	-	-	-	-	-
	1100	\$/FTE	-	-	-	-	-	-	-	-	-	-
<b>instruction - total</b>			<b>15.0</b>	<b>19.0</b>	<b>22.0</b>	<b>25.0</b>	<b>27.0</b>	<b>719,000</b>	<b>956,932</b>	<b>1,142,992</b>	<b>1,393,380</b>	<b>1,490,825</b>
<b>student support</b>												
Counselors	2160	\$ 48,000 \$/FTE	1.0	1.0	1.0	1.0	1.0	48,000	50,823	52,451	54,024	55,645
Nurse	2400	\$ 48,000 \$/FTE	1.0	1.0	1.0	1.0	1.0	48,000	50,823	52,451	54,024	55,645
<b>student support - total</b>			<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>96,000</b>	<b>101,646</b>	<b>104,902</b>	<b>108,049</b>	<b>111,290</b>
<b>total</b>			<b>21.0</b>	<b>26.0</b>	<b>29.0</b>	<b>33.0</b>	<b>34.0</b>	<b>1,082,000</b>	<b>1,379,170</b>	<b>1,577,898</b>	<b>1,841,332</b>	<b>1,952,216</b>
<b>student-to-staff ratio</b>			<b>9.43</b>	<b>9.08</b>	<b>9.38</b>	<b>9.33</b>	<b>9.53</b>					





92 Lancaster Avenue, Devon, PA 19333  
p.484.568.5000 f.484.582.0650

March 6, 2013

Mr. Ryan Schumm  
Charter Choices  
222 Keswick Avenue  
Glenside, PA 19038

Dear Mr. Schumm:

As you are aware, Meridian Bank has been involved in the developmental stages of numerous Charter Schools in the past few Years. My understanding is that you are working with a new entity "Education for New Generations Charter School" which will be in need of leasehold financing as well as working capital. Meridian Bank would be very interested in reviewing as well as ultimately entertaining an application for this school's financing needs.

I look forward to your response as well as meeting the proposed Board of Directors of Education for New Generations Charter School. Please contact me as soon as you have the appropriate approvals.

Sincerely,

A handwritten signature in black ink, appearing to read 'Erwin K. Wenner', written over a horizontal line.

Erwin K. Wenner  
Senior Vice President

cc: Joshua Pollak, Esq.

**BUSINESS SERVICES AGREEMENT**

**BETWEEN**

**EDUCATION FOR NEW GENERATIONS CHARTER SCHOOL**

**AND**

**CHARTER CHOICES, INC.**

# CHARTER CHOICES

## BUSINESS SERVICES AGREEMENT

THIS BUSINESS SERVICES AGREEMENT (this “**Agreement**”) is made as of October 30, 2012 (the “**Effective Date**”) by and between **EDUCATION FOR NEW GENERATIONS CHARTER SCHOOL**, a Pennsylvania non-profit corporation (“**Charter School**”), and **CHARTER CHOICES, INC.**, a Pennsylvania corporation (“**Manager**”).

### Background

Charter School desires to engage Manager for the term specified herein to provide business and educational administration services to the Charter School. Manager desires to provide business administration services to the Charter School.

### Terms

In consideration of the premises and the mutual covenants and benefits contained herein, and intending to be legally bound, Charter School and Manager hereby agree as follows:

#### 1. Engagement.

**1.1 Engagement of Manager.** Charter School hereby engages Manager to provide the specific duties and services described in Paragraph 3.3, to and for the benefit of the Charter School. Charter School hereby authorizes and empowers Manager to perform all such acts as are necessary or appropriate to affect such duties and services, for and on behalf of Charter School. Manager hereby accepts such engagement, all in accordance with and subject to the terms, conditions, and limitations set forth in this Agreement.

**1.2 Relationship of the Parties.** Manager is an independent contractor and the employees, contractors and agents of the Manager shall not be considered employees or agents of the Charter School. Neither Charter School nor any of its employees, contractors or agents shall be deemed to be the servants or employees of Manager. Nothing contained herein shall create (i) a partnership or joint venture between Manager and Charter School or (ii) any ownership interest of Manager in Charter School or the Charter School in Manager. Manager is responsible for all taxes that may be imposed in any way with respect to the services that it provides to the Charter School under this Agreement. The taxes for which the Manager is

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responsible include but are not limited to local, state, and federal income and wage taxes and assessments and Social Security taxes.

**1.3 Primary Representatives of the Parties.** Each party shall appoint a representative or representatives (the "**Charter School Representative**" or the "**Manager Representative**", as the case may be) who shall be authorized to act on behalf of such party, with whom the other party may consult at all reasonable times, and whose instructions, requests and decisions shall be binding upon such party as to all matters pertaining to this Agreement and the performance of the parties hereunder; *provided, however*, that the approval of the Board of Trustees of Charter School (the "**Board**") must be obtained when required by the Articles of Incorporation or Bylaws of Charter School, in the form attached hereto as Exhibit B. Charter School shall provide written notice to Manager if, during the term of this Agreement, it amends its Articles of Incorporation or Bylaws in a manner which expands the circumstances which require such approval. The initial Charter School Representatives shall be Naomi Rodriguez and Kimberly Siar. The initial Manager Representative shall be Ryan Schumm. Any change of Manager Representatives must be approved in writing by Charter School. Such approval shall not be unreasonably withheld. The Charter School expressly reserves the right to remove and appoint, from time to time, the individual who it has appointed as the Charter School Representative upon notice to the Manager in accordance with the notice provisions herein contained.

**2. Term.** The term of this Agreement (the "**Term**") shall commence on the Effective Date and expire on June 30, 2016; *provided, however*, that the Term shall be subject to earlier termination pursuant to and in accordance with the terms of Section 11. The agreement shall be automatically renewed if either party does not notify the other party of non-renewal 90 days prior to June 30, 2016. Each renewal period shall be for one year terms.

**3. Duties of Manager.**

**3.1 General.** Manager shall be responsible for providing business services as specifically set forth in Paragraph 3.3. Manager's responsibilities shall be limited to providing advice and guidance to Charter School and its employees; *provided, however*, the responsibility for policymaking and the day-to-day operations of the Charter School and all matters relating to the Charter School's academic program (including, matters relating to "education," the learning process and learning management) shall be the responsibility of, and shall be conducted under the supervision of, the Board and the School's Co-CEOs (the "**Co-CEOs**" together with the Board are hereinafter referred to as the "**Administration**"). Manager and its employees and

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agents shall have access to the Charter School as is reasonably necessary or appropriate, for Manager to effectively and properly execute Manager's duties and services hereunder. Manager shall have the right to delegate and assign to its employees and agents such duties as Manager shall deem appropriate in Manager's reasonable discretion; *provided, however*, that any such delegation or assignment shall not relieve or release Manager from its obligations hereunder to Charter School, and Manager shall be solely responsible for the compensation of such employees and agents, and such compensation shall not be deemed a reimbursable Expense.

**3.2 School Administration.** The Manager shall report directly to the Board of Directors of the Charter School. Administration shall be responsible for providing Manager with such operational data and reports as is reasonably necessary in order to enable Manager to perform its duties hereunder.

**3.3 Specific Duties.**

(a) **General.** Manager shall perform its duties and services hereunder and consistent with the requirements of the Charter License, Pennsylvania Act 22 of 1997, as amended, as well as regulations promulgated pursuant thereto by the Commonwealth of Pennsylvania, Department of Education (collectively, "**Act 22**"), and all other federal, state and local laws, rules, regulations, ordinances, codes, orders and directives of any governmental body or office or agent thereof, and all permits, licenses and governmental standards, applicable to the Charter School or its operations (collectively, and together with the Charter License and Act 22, "**Laws**").

(b) **Personnel.** The salary and fringe benefits of all employees of the Charter School will be a cost of operation of the Charter School. The Administration, within the guidelines of the Approved Operating Budget, shall make the determination of compensation for all employees of the Charter School.

(c) **Accounting.** Manager will provide the following accounting services for the Charter School:

1. Oversee the accounting functions and fiscal activities of the Charter School.
2. Maintain the accounting record to comply with the chart of accounts

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required by the PDE.

3. Manage the accounts payable process and ensure that bills are paid on a timely basis.
4. Record account transactions and reconcile accounts on a monthly basis.
5. Submit payroll to payroll company, from school-provided information at a schedule set and provided by the Charter School.
6. Prepare financial reports and report to the Board.
7. Review receivables to ensure the Charter School is receiving all revenues and entitlements, which it is entitled and perform debt collection when appropriate.
8. Assist the Charter School with hiring an independent auditor and providing that independent auditor with the required work papers.
9. Provide necessary support for any government audits including, but not limited to, legislative and regulatory audits (e.g., auditor general audits).
10. Prepare PDE form 419 (rental reimbursement) if applicable.
11. Prepare the federal tax form 990 for the year-ends.
12. Prepare the PDE annual financial report (PDE-2057), GASB 34, for the year-ends.
13. Prepare a Proposed Operating Budget, in consultation with the Charter School's Administration and utilizing form PDE-2028, for approval by the Board no later than May 1 of each year of the Term.
14. Submit, from the Charter School's estimated information, a budget, form PDE-2028, to the Pennsylvania Department of Education (PDE) for the fiscal year ends in compliance with deadlines mandated by law.

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15. Federal Grant Reporting and the performance of quarterly reconciliations. With the assistance of the Charter School, Manager shall specifically prepare and submit Title I and School Improvement reports, the financial sections of the Charter School's Annual Report to the Pennsylvania Department of Education ("PDE") and all other required PDE reports.
16. Prepare monthly invoices for districts for enrolled students.
17. Prepare tax forms 1099 and 1096.
18. Assist with financial sections of any required local, state, and federal reporting.
19. If requested, Manager shall assist Charter School to negotiate suitable real estate and equipment leases and loans.
20. At the request of Charter School, Manager shall purchase, with Charter School's capital, or review purchases by Charter School, of materials, supplies, curriculum and equipment for the Charter School however, the primary responsibility for such tasks is the Administration's.

#### **4. Books and Records; Financial Statements and Audits; Working Capital.**

**4.1 Books and Records.** Manager shall maintain adequate records and books of account for Charter School, in accordance with generally accepted accounting principles (GAAP) and shall retain such information for so long as this Agreement shall be in effect. Manager shall request in writing that the Charter School provide any relevant data and other information necessary to maintain adequate records and books of account for Charter School. Failure of the Charter School to provide such relevant data or other necessary information may impact the adequacy of records and books of account for the Charter School. Upon the termination of this Agreement, Manager shall promptly return such information to Charter School. Such books and records shall, at Manager's election, be kept at the corporate offices of Manager or at the Charter School, or such other locations agreed to by Manager and Charter School, and shall be open to examination by Charter School or its representative upon reasonable

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notice during normal business office hours. Manager shall maintain the confidentiality of all books, records and financial information pertaining to Charter School.

**4.2 Financial Statements and Audits.** Manager shall report to Charter School by the fifteenth (15<sup>th</sup>) of each month for the proceeding month, in writing with monthly balance sheets, statements of income and sources and uses of funds with respect to Charter School for such month and cumulatively for the fiscal year to date, as well as any recommended changes to the then-current Approved Operating Budget that Manager considers necessary or appropriate. Failure of the Charter School to provide relevant data or other necessary information upon Manager's written request may impact the adequacy of such reports. Manager shall engage, at Charter School's expense, an independent public accounting firm approved by the Board to perform an audit of the books and records maintained for the Charter School as required by applicable Laws, for each fiscal year that the School operates. Such audit shall be completed and a report to be furnished within ninety (90) days after the end of each such fiscal year.

**4.3 Working Capital.** Charter School shall be solely responsible to provide working capital and other funds for Charter School's operations. Manager shall provide assistance to Charter School to seek a line of credit from a financial institution to be utilized to fund seasonal or other cash flow deficiencies, but Manager shall not in any manner be obligated to guaranty, assure or otherwise provide such funding itself.

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## 5. Operating Expenses; Budgets.

**5.1 Proposed Operating Budget.** No later than 60 days prior to the beginning of each fiscal year, Manager, shall prepare, after consultation from the Administration, and submit to the Board a proposed budget (the "**Proposed Operating Budget**") for the operation of the School during the ensuing school year. Each Proposed Operating Budget shall set forth all of the revenues that Charter School anticipates will be received by Charter School, a proposed schedule of fees and charges for services, and all of the expenditures anticipated to be necessary for the operation of the Charter School, both (i) during the ensuing school year and (ii) during the succeeding two school years. Each Proposed Operating Budget shall further set forth each category of expense, the sources and uses of funds, fund accounting income statement, cash flow, capital expenditures, and any other appropriate items, for the ensuing year and for the succeeding two years. Each Proposed Operating Budget shall reflect the Co-CEOs' and Manager's view of the most economical, reasonable methods of operating and maintaining the Charter School during the years to which that Proposed Operating Budget relates.

**5.2 Approved Operating Budget.** Within 30 days after receiving a Proposed Operating Budget, Board shall communicate to Manager any changes, additions or deletions it believes should be made in such Proposed Operating Budget. Manager shall incorporate such changes within 10 days of receipt from Board, such changes to be subject to the approval of the Board. (the "**Approved Operating Budget**").

**5.3 Adjustments.** After agreement upon an Approved Operating Budget, Manager and Charter School shall endeavor to cause the operations of the Charter School to be conducted within the Approved Operating Budget. It is understood, however that each Approved Operating Budget will be an estimate only and that unforeseen circumstance such as, but not limited to, the costs of labor, material, services and supplies, casualty, operation of law, or economic and market conditions may make adherence to the Approved Operating Budget impracticable, and departures there from may be required due to causes of the foregoing nature or for other business reasons. Accordingly, if Manager comes to believe that revenues of the Charter School for any year will be less than 97% of the amount in the Approved Operating Budget or that operation of the Charter School will require any expense category to exceed the corresponding amount in the Approved Operating Budget in any year by more than 10% or \$25,000, whichever is less, then Manager will promptly notify the Charter School of such belief and the parties shall thereupon meet to determine if an adjustment to the Approved Operating Budget is necessary. If the parties

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determine that an adjustment is required, Manager shall make such adjustments at the direction of the Board.

## **5.4 No Authority to Authorize Expenditures on Behalf of Charter School.**

Manager shall not have the authority to make or authorize any expenditure of any funds on behalf of Charter School unless expressly authorized in writing by the Co-CEOs or Board.

**5.5 Emergency Expenditures.** Notwithstanding the foregoing, if there is an imminent risk of injury to persons or damage to any property on, about or adjacent to the Charter School, which arises with respect to the operation or maintenance of the Charter School, Manager and Charter School shall each be entitled to take all such immediate action as may be reasonably necessary to eliminate or abate such imminent risk, without first consulting with the other.

## **6. Operating and Management Fees and Expenses.**

**6.1 Management Fee.** In consideration of Manager's services hereunder, Charter School shall pay to Manager an annual management fee (the "Management Fee" or "Management Fees") shall be:

\$0.00 for the period of October 2012 – June 30, 2013

\$60,000 (\$5,000 per month) for the period July 1, 2013 – June 30, 2014

The \$5,000 per month fee shall be adjusted upwards, based on the May annual CPI index rate, starting July 1, 2014.

The Management Fee shall be payable in equal monthly installments, in advance, on the first day of each month, commencing July 1, 2013, and continuing on the first day of each month thereafter during the Term. The first payment to Manager may be deferred until Charter School receives local subsidies, but no later than October 31, 2013. Payment of the Management Fees to Manager shall be separate from and in addition to any reimbursements and any other amounts if required to be paid by Charter School under this Agreement or otherwise.

## **6.2 Expenses.**

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(a) **Expenses.** Charter School shall be responsible for all costs and expenses of every nature in connection with the ownership, operation, and management of the Charter School (collectively, "**Expenses**"), including, without limitation, all Management Fees, taxes, insurance, utility costs and expenses, interest and other debt payments, faculty and staff salaries and payroll expenses, administrative costs, operating expenses, professional fees and costs, including legal fees, capital expenses, including construction fees and costs. Such expenses shall also include rent, and any fees or costs incurred by Charter School in connection with the performance or satisfaction by Charter School of any duties, obligations or liabilities (or failure to perform or satisfy any duties, obligations, or liabilities) under any lease or sublease, or both, for the space in which the School operates.

(b) **Reimbursement to Manager.** Charter School shall reimburse Manager for all Expenses incurred by Manager in furtherance of Manager's duties and services hereunder. Such reimbursement shall be made within thirty (30) days following the submission of a properly completed, detailed expense voucher, accompanied by such receipts, invoices, and other supporting documentation as Charter School shall reasonably request.

**6.3 Operating Accounts.** If requested by Charter School, Manager shall establish and maintain one or more accounts with one or more financial institutions, which are satisfactory to Charter School (the "**Operating Accounts**"). Manager shall cause all gross revenues of the Charter School to be deposited into the Operating Accounts, and, upon written authorization from the Charter School's designated signatories, cause all Expenses (including payments due to Manager on account of Management Fees and reimbursements of Expenses) to be paid out of the Operating Accounts for and on behalf of Charter School to the extent of available funds. The Operating Accounts shall be used exclusively in connection with the operation of the Charter School and the performance of the terms and conditions of this Agreement.

7. **School Name.** The name of the Charter School shall be "Education for New Generations Charter School."

## 8. **Indemnification; Representations and Warranties.**

**8.1 Indemnification of Manager.** The Charter School will indemnify, defend and save and hold Manager and its affiliates and all of their respective employees, officers, directors, subcontractors and agents harmless against any and all claims, demands, suits or other forms of liability (including reasonable attorneys fees and costs) that may arise out of, or by reason of, any

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noncompliance by the Charter School with any agreements, covenants, warranties or undertakings of the Charter School contained in or made pursuant to this Agreement, and any misrepresentations or breach of the representations and warranties of the Charter School contained in or made pursuant to this Agreement. In addition, the Charter School will reimburse Manager for any and all reasonable legal expenses and costs associated with the defense of any such claim, demand or suit. The indemnification requirements of this Section 8.1 may be met by the purchase of insurance pursuant to Article IX below.

**8.2 Indemnification of the Charter School.** Manager will indemnify, defend and save and hold the Charter School and all of its employees, officers, directors, subcontractors and agents harmless against any and all claims, demands, suits or other forms of liability (including reasonable attorneys fees and costs) that may arise out of, or by reason of, any noncompliance by Manager with any agreements, covenants, warranties or undertakings of Manager contained in or made pursuant to this Agreement, and any misrepresentation or breach of the representations and warranties of the Manager contained in or made pursuant to this Agreement. In addition, Manager will reimburse the Charter School for any and all reasonable legal expenses and costs associated with the defense of any such claim, demand or suit. The indemnification requirements of this Section 8.2 may be met by the purchase of insurance pursuant to Article IX below.

**8.3 Representations and Warranties of Manager.** The representations and warranties made by the Manager in this Article 8 are material representations and warranties upon which the Charter School has relied in entering into this Agreement. The Manager represents and warrants:

**8.3.1** That the Manager and its employees possess the skills, qualifications, experience, licenses, certifications, and clearances necessary to perform adequately the services that it is to supply to the Charter School under this Agreement.

**8.3.2** That this Agreement constitutes a valid and binding agreement by the Manager, enforceable in accordance with its terms, and that neither the execution of this Agreement nor compliance with any of its terms will violate the terms of any certificate, note, instrument, bond, lease, mortgage, obligation, agreement, understanding, arrangement, regulation, law or restriction of any kind to which the Manager is a party.

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**8.3 Representations and Warranties of Charter School.** The Charter School represents and warrants that this Agreement constitutes a valid and binding agreement by the Charter School, enforceable in accordance with its terms, and that neither the execution of this Agreement nor compliance with any of its terms will violate the terms of any certificate, note, instrument, bond, lease, mortgage, obligation, agreement, understanding, arrangement, regulation, law or restriction of any kind to which the Charter School is a party.

**9. Insurance Coverage.** The Charter School will maintain general liability insurance and umbrella insurance coverage in the amounts required by the Charter or otherwise required by sound business practices. Such policies shall name Manager and its affiliates and their respective directors, officers, employees, subcontractors, and agents as additional insured under such policies. The Charter School will comply with any information requests from its insurer(s) and all reporting requirements applicable to such insurance. Manager will maintain general liability insurance and umbrella insurance coverage in the amounts required by sound business practice and assure compliance with Act 22. Such policies shall name Charter School and its affiliates and their respective directors, officers, employees, subcontractors, and agents as additional insured under such policies.

**9.1 Workers' Compensation Insurance.** Each party will maintain workers' compensation insurance as required by law, covering its respective employees.

**9.2 Cooperation.** Each party will, upon request, present evidence to the other that it maintains the requisite insurance in compliance with the provisions of this Article IX. Each party will comply with any information or reporting requirements required by the other party's insurer(s), to the extent reasonably practicable.

**10. Limitations of Liabilities.** The Charter School will assert all immunities and statutory limitations of liability in connection with any claims arising from its operations, and will not waive any immunities or limitations without the prior written consent of Manager.

## **11. Termination.**

**11.1 Termination Events.** This Agreement shall be subject to termination prior the scheduled expiration date, as follows:

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(a) **By Manager.** Manager may terminate this Agreement prior to the end of the term specified in Article II in the event that the Charter School fails to remedy a material breach within 30 days after written notice from Manager. A material breach includes, but is not limited to (i) the Charter School's failure to pay any fee or reimbursement as required by the terms of this Agreement, or (ii) an act or omission by the Charter School that causes Manager to be unable to perform its material obligations under this Agreement. Termination by Manager will not relieve the Charter School of any obligations for payments outstanding to Manager as of the date of termination or liability for financial damages suffered by Manager as a consequence of the Charter School's breach (or of Manager's termination as a result thereof) of this Agreement.

(b) **By the Charter School.** The Charter School may terminate this Agreement prior to the end of the term specified in Article II in the event that Manager fails to remedy a material breach of this Agreement within 30 days after written notice from the Board. A material breach by Manager includes, but is not limited to: (i) a material failure to account for its expenditures of Charter School funds or for other expenses incurred by the Charter School at Manager's direction, (ii) Manager's failure to substantially follow policies, procedures, rules, regulations or curriculum duly adopted by the Board which are not in violation of or conflict with the Charter, this Agreement, Act 22, and applicable laws and regulations, (iii) failure to abide by and meet the educational goals set forth in the Charter such that the Charter will be terminated, (iv) any act or omission that causes the Charter School to materially breach the Charter or any of the Charter School's other material contractual obligations in anyway. Notwithstanding the foregoing, the Charter School may terminate this Agreement prior to the end of the term specified in Article II in the event that Manager fails to timely and substantively respond to a request from the Administration to fulfill a specific duty or obligation set forth in this Agreement. Additionally, the Charter School shall have the right (assuming that Manager otherwise has no continuing liability, contingent or otherwise, to third parties under contracts entered into by Charter School) to terminate this Agreement without cause by tendering to Manager payment of the present value (discounted at eight percent per annum) of the remaining Management Fees specified in this Agreement.

(c) **Termination of the Charter.** This Agreement will terminate upon the Charter School's ceasing to be a party to a valid and binding charter provided, however, that this Agreement will continue to remain in effect until the Termination Date or the end of a Renewal Term (as applicable) if (i) the Charter School has entered into a Subsequent Charter, and (ii) this Agreement has not been terminated pursuant to this Article XI. Termination pursuant to this

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paragraph will not relieve the Charter School of any obligations for payments outstanding to Manager as of the date of termination.

**11.2 Change in Law.** If any federal, State or local law or regulation, court or administrative decision or Attorney General's opinion has a materially adverse effect on the ability of either party to carry out its obligations under this Agreement, such party, upon written notice, may request renegotiation of this Agreement. Such renegotiation will be undertaken in good faith and may include the use of a third party arbitrator for alternative dispute resolution pursuant to Article XVI. If the parties are unable to renegotiate the terms within 90 days after such notice and good faith negotiations, the party requesting the renegotiation may terminate this Agreement on 120 days' further written notice or at the end of a school year, whichever is earlier.

**11.3 Real and Personal Property.** Upon termination or expiration of this Agreement by either party for any reason, all real and personal property leased by Manager to the Charter School will remain the real and personal property and leases of Manager, and all other personal property purchased by Manager with the funds provided to Manager by the Charter School pursuant to this Agreement will be the personal property of the Charter School.

**11.4 Advances/Out-of-Pocket Expenses.** Prior to termination or expiration of this Agreement for any reason, the Charter School shall (i) reimburse Manager for all expenses owed pursuant to this Agreement, (ii) repay all advances or loans from Manager if due.

**11.5 Bankruptcy.** Either party may terminate this Agreement if the other party shall be adjudicated a bankrupt or insolvent, or admit in writing its inability to pay its debts as they mature, or make any assignment for the benefit of its creditors; or if the other party shall apply for or consent to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its properties; or such receiver, trustee or similar officer shall be appointed without the application or consent of such other party and shall continue undischarged for a period of sixty (60) days; or if the other party shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or if any such proceedings shall be instituted (by petition, application or otherwise) against such other party, and an order for relief shall be entered in such proceeding or such proceeding shall remain undismissed for a period of sixty (60) days; or if any judgment, writ,

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warrant of attachment or execution or similar process shall be issued or levied against property of such other party which represents a substantial portion of its property and such judgment, writ or similar process shall not be released, vacated or fully bonded within sixty (60) days after its issue or levy.

**11.6 Notice of Defaults.** If either party becomes aware of any event, condition or omission that is, or if uncured will become, a breach or default by Charter School or a third party under any agreement applicable to the Charter School, it promptly shall notify the other thereof (which notice may be oral) and shall send to the other any written notice of default received from a third party. In the case of a breach or default, or potential breach or default by Charter School, Manager shall reasonably assist and cooperate with Charter School to cure or mitigate such default, give such advice and recommendations as Charter School may reasonably request, and follow such instructions as Charter School may reasonably give, all at Charter School's expense.

## **12. Child Abuse Clearances And Criminal History Checks.**

**12.1 Clearances and Checks** – The Manager shall ensure that any employee, contractor, or agent of the Manager shall submit a federal and state report of criminal history record information as provided for in Section 111 of the Pennsylvania Charter School Code of 1949 and an official clearance statement regarding child injury or abuse as required by 23 Pa. C.S. § 6354 et seq. to the Charter School before the Manager permits that employee, contractor, or agent to provide services to the Charter School under this Agreement.

**12.2 Travel to the Charter School** – The Manager shall not under any circumstances permit any of its employees, Managers, or agents to travel to the Charter School without first providing the Charter School with the documents required under Paragraph 12.1 of this Agreement.

**12.3 Costs** – The Manager shall be solely responsible for the costs of complying with this Article 12, and the Manager shall have no claim against the Charter School for any delay or any consequential damages resulting from any delay caused by the requirements of this Article 12

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GLENSIDE, PA 19038



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### WESTERN REGIONAL OFFICE

600 GRANT STREET  
PITTSBURGH PA 15219



# CHARTER CHOICES

**13. Past Due Amounts.** Any amounts owing to either party under this Agreement which are not paid within twenty (20) days after the due date shall accrue interest at a rate equal to the lesser of (i) the prime rate as published in The Wall Street Journal as of the date payment was due plus four percent (4.0%) per annum or (ii) the maximum rate allowed by law. The payment of any interest hereunder shall not release either party from its obligations otherwise to perform fully this Agreement.

**14. Meetings of Charter School.** Manager shall be required to attend at least six (6) regularly scheduled or rescheduled public meetings of the Board each year during the term of this Agreement. In no event shall Manager fail to attend consecutive regularly scheduled public meetings of the Board. Manager may attend meetings via telephone or in person. Notwithstanding the foregoing, Manager shall attend at least two (2) meetings in person each year during the term of this Agreement.

**15. Notices.** All notices and other communications required or permitted hereunder shall be in writing and shall be deemed to be properly given if transmitted by messenger, overnight courier service or first class certified mail (return receipt requested), in each case postage or other charges prepaid, addressed to the other party at the address shown below. Any party may change such address by notice given in such manner. All notices shall be effective upon receipt or refusal of deliver.

If to Manager, to:

CHARTER CHOICES, INC.  
2673 Limekiln Pike  
Glenside Pennsylvania 19038

If to Charter School, to:

Education for New Generations Charter School  
100 Commerce Drive  
Montgomeryville, PA 18936

with a copy to:

Joshua E. Pollak, Esquire  
Latsha Davis & McKenna, P.C.  
350 Eagleview Boulevard, Suite 100  
Exton, Pennsylvania 19341

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16. **Further Assurances.** Manager and Charter School agree to perform such further acts and execute and deliver any documents as may be required by any provision of this Agreement and applicable laws.

17. **Dispute Resolution: Remedies.**

17.1 **Disputes.** If during the Term any issue, dispute or controversy ("**Dispute**") should arise hereunder, then the Charter School Representative and the Manager Representative shall promptly confer and exert their reasonable efforts in good faith to reach a reasonable and equitable resolution of such Dispute. If such representatives are unable to resolve such Dispute within five (5) business days, either party may then, at any time, deliver notice to the other party of its intent to submit the Dispute to arbitration, which notice shall include the specific issues concerning the Dispute which must be resolved (the "**Arbitration Notice**").

17.2 **Arbitrators.** At any time following the 30th day after delivery of an Arbitration Notice, either party (for purposes of this Section 16, the "**First Party**") may give notice to the other party (for purposes of this Section 16, the "**Second Party**") that it has designated an arbitrator. Within 20 days of the delivery of the aforesaid notice of designation the Second Party shall be required to designate a second arbitrator and to notify the First Party of such designation. Within 20 days of the designation of the second arbitrator, the two designated arbitrators shall meet and shall jointly designate a third arbitrator. Arbitrators shall be qualified by education and experience in the subject matter of the Dispute and issues to be arbitrated. The arbitrator designated by the party-appointed arbitrators shall be the Chairman of the arbitration panel. A determination by a majority of the panel shall be binding upon and enforceable against each party. If for any reason (i) the Second Party shall fail timely to designate an arbitrator after notice of designation is delivered by the First Party or (ii) the two party-appointed arbitrators fail timely to designate a third arbitrator, or the third arbitrator shall fail for any reason to serve, said arbitrator(s) shall be designated by the American Arbitration Association upon the demand of either Party.

17.3 **Arbitration Proceedings.** All proceedings before the arbitrators shall be held in New Castle, Pennsylvania. The parties agree that any Dispute being resolved by arbitration hereunder shall be determined pursuant to the provisions set forth herein and pursuant to the applicable commercial arbitration rules of the American Arbitration Association then in effect insofar as such rules are not inconsistent with the provisions set forth herein. The authority of

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the arbitrators shall be limited to the specific Dispute and related issue(s) in controversy as designated by the parties.

**18. Force Majeure.** Neither party shall be deemed in breach of its obligations under this Agreement because of any delay or failure in the performance of such obligations (other than failure to pay money when due) to the extent such delay or failure is due to circumstances beyond the reasonable control of the party experiencing such delay or failure, including but not limited to acts of God; unusually severe weather conditions; strikes or other labor difficulties; war; riots; earthquakes; public disturbances; epidemics; requirements, actions or failures to act on the part of federal, state or local governmental authorities; acts of the other party; inability despite due diligence to obtain required licenses; accident; fire; or damage to, loss of right to or destruction or breakdown of necessary facilities (each and collectively, "**Force Majeure**"); *provided, however*, that, (i) the non-performing party gives the other party within one week, or as soon thereafter as practicable, written notice describing the particulars of the Force Majeure; (ii) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure; and (iii) the non-performing party uses reasonable efforts to remedy its inability to perform.

**19. Miscellaneous.**

**19.1 Governing Law.** This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania, excluding choice-of-law provisions, which would direct the application of the laws of another jurisdiction.

**19.2 Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

**19.3 Headings.** Titles and headings of the sections of this Agreement are for convenience of reference only and do not form a part of and shall not in any way affect the interpretation of this Agreement.

**19.4 Amendment.** No modifications or amendment of this Agreement shall be valid unless in writing and executed by both parties to this Agreement.

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**19.5 Assignment.** Neither party hereto shall assign or otherwise convey any of its rights, titles or interests under this Agreement without the prior written consent of the other party hereto.

**19.6 Successors and Assigns.** This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns, to the extent that assignment is permitted under this Agreement.

**19.7 Other Services.** Nothing in this Agreement shall be construed to prevent or prohibit Manager from providing operating services to any other person, organization or entity.

**19.8 Waiver.** The waiver of any breach of any term or condition hereof shall not be deemed a waiver of any other or subsequent breach, whether of like or different nature.

**19.9 Not for Benefit of Third Parties.** This Agreement and each and every provision thereof is for the exclusive benefit of the Charter School and Manager and not for the benefit of any third party.

**19.10 Authority to Bind.** The undersigned signatories each represent and warrant, independent of the other, and on behalf of the respective party for whom they have executed this Agreement, that they have the authority to execute and deliver this Agreement on behalf of such respective party, and that this Agreement represents the valid and binding obligations of such respective party, and that the respective parties hereto have each taken all appropriate corporate and Charter School action as is necessary or required for the validity and enforceability of this Agreement.

**19.11 Certain Definitions.** Whenever the terms “Board,” “Co-CEOs,” and “Administration” are used in this Agreement, such terms shall be deemed to mean and include the Charter School acting through the Board, Co-CEOs, or Administration, as the case may be.

**20. Confidentiality.** As used herein, “**Confidential Information**” shall mean all oral or written information, of whatever kind and in whatever form, relating to past, present or future services provided under this Agreement, business or technical information of the Charter School, and any information relating to the Charter School’s employees or students and or other matters of business. Manager agrees that its representatives shall hold any and all such Confidential Information in the strictest confidence. No such information shall be divulged, used, or published at any time, now or in the future, except as is necessary to perform the Services, or as

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otherwise requested or approved by the Charter School. Manager shall not copy or otherwise reproduce, or permit to be copied or otherwise reproduced, all or any part of any Confidential Information, except to the extent required performing the Services. Manager shall not use any Confidential Information for any purpose other than providing the Services. Manager accepts the responsibility for establishing and utilizing necessary security measures to ensure against copying, disclosure, release or use of any Confidential Information.

## 21. Non-Solicitation.

**21.1 Non-Solicitation by Charter School.** Charter School agrees that it shall not, during the Term or during the one (1) year period following the date of any expiration or termination of this Agreement, employ or retain any person, directly or indirectly, who is employed or has been employed by Manager during the Term, unless consented to in writing by Manager.

**21.2 Non-Solicitation by Manager.** Manager agrees that it shall not, during the Term or during the one (1) year period following the date of any expiration or termination of this Agreement, employ or retain any person, directly or indirectly, who is employed or has been employed by Charter School during the Term, unless consented to in writing by Charter School.

**21.3 Injunctive Relief.** The parties agree that the provisions of Paragraph 21.1 and Paragraph 21.2 are vitally essential to the operation of Charter School and Manager and their ability to operate their respective organizations; therefore, in addition to any other rights or remedies at law or otherwise available to Charter School or Manager for the breach of Paragraph 21.1 or Paragraph 21.2, Charter School or Manager as the case may be shall be entitled to injunctive relief.

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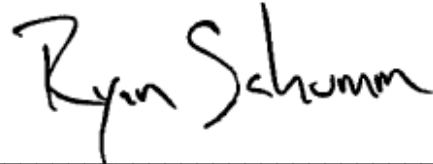
# CHARTER CHOICES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above. The Agreement has, or will be, approved by Board resolution.

EDUCATION FOR NEW GENERATIONS CHARTER SCHOOL

By:   
Name: Naomi Rodriguez  
Authorized Officer

CHARTER CHOICES, INC.

By:   
Ryan Schumm, Shareholder

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