

MEMORANDUM OF UNDERSTANDING
by and between
CHICO UNIFIED SCHOOL DISTRICT
AND THE BLUE OAK SCHOOL

This Memorandum of Understanding ("Agreement") is executed between the Chico Unified School District ("District") and The Blue Oak School ("Charter School"), a California nonprofit public benefit corporation authorized to operate the charter school.

I. RECITALS:

- A. The Chico Unified School District is a school district existing under the laws of the State of California.
- B. Blue Oak Charter School, Inc. is a California non-profit public benefit corporation that operates the Blue Oak School, a public charter school existing under the laws of the State of California and under the chartering authority oversight of Chico Unified School District.
- C. The District is the authorizing agency of CHARTER SCHOOL. This Agreement is intended to outline the agreement of CHARTER SCHOOL and the District governing their respective fiscal and administrative responsibilities, their legal relationships and operation of CHARTER SCHOOL.
- D. Written modifications of this Agreement may be made by mutual agreement as set forth in Section A below. This Agreement was approved by the District Superintendent on May 12, 2011 and by the Board of Directors of CHARTER SCHOOL on May 11, 2011 and shall be effective upon execution until terminated in accordance with this Agreement. The executed and approved Agreement shall be provided by CHARTER SCHOOL to the District on or before May 15 2011.
- E. The terms of this Agreement are intended to become part of the conditions, standards and procedures set forth in the Charter document ("Charter"), and shall be enforceable as if set forth in the Charter. If the terms of this Agreement conflict with the terms of the Charter, this Agreement shall control the handling or resolution of the particular issue in question. The parties will meet to consider the Charter as modified by this Agreement to reach consistency, if the inconsistency is material to the terms of the Charter. In addition, if the Charter, read alone without incorporating this Agreement, is silent on an issue addressed by this Agreement, this Agreement shall control.

II. AGREEMENTS

A. Terms

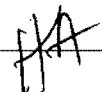
- 1. This Agreement will govern the relationship between the District and CHARTER SCHOOL regarding the operation of CHARTER SCHOOL

and the relationship of the District and CHARTER SCHOOL.

2. Any modification of this Agreement must be in writing, executed by duly authorized representatives of both parties, ratified by the respective Boards, and must indicate intent to modify or amend this Agreement.
3. The duly authorized representative of CHARTER SCHOOL is the Executive Director, or designee.
4. The duly authorized representative of the District is the Superintendent or any designee thereof. In order to ensure consistency in communications, all communication regarding any aspect of the operation of CHARTER SCHOOL shall be initiated by the designated representative of CHARTER SCHOOL with the CUSD Charter School Liaison.
5. The term of this Agreement shall be coterminous with the operation of the Charter granted to CHARTER SCHOOL on April 6, 2011. This entire Agreement is subject to approval by the respective governing boards of the District and CHARTER SCHOOL.
6. This Agreement shall terminate automatically upon closure of CHARTER SCHOOL for any reason, except as may be specified otherwise herein. "Closure" means that all legally required closure processes are completed.

B. Funding

1. CHARTER SCHOOL is eligible for state Block Grant Funding. In addition to a general purpose entitlement, this Block Grant Funding will include CHARTER SCHOOL's computed share of categorical programs listed in California Education Code section 47634. Block Grant Funding will be apportioned by Average Daily Attendance (ADA). CHARTER SCHOOL will be responsible for providing the State Department of Education with all data required for funding. The Block Grant Funding will not include:
 - a. Programs for which CHARTER SCHOOL is required to apply separately such as summer school or class-size reduction.
 - b. Special Education programs -- these funds are allocated to District as long as CHARTER SCHOOL functions as a public school of the District for purposes of special education. CHARTER SCHOOL understands that this requires it to contribute an equitable share of its charter block grant funding to support district-wide special education instruction and services costs, including CHARTER SCHOOL's special education costs.



- c. Economic Impact Aid -- these funds are allocated separately, based on qualifying students.
 - d. Lottery funds -- CHARTER SCHOOL will be funded directly from the State through the District in addition to the Block Grant Funding, for their share of these funds. A portion of Lottery Funds must be spent on instruction, as dictated by the State.
2. CHARTER SCHOOL is eligible for Federal funding including, but not limited to: Title I, II, IV and VII, based on the qualification of CHARTER SCHOOL's students for such funding.
 3. CHARTER SCHOOL shall elect to receive funding from the State directly, pursuant to Education Code section 47651.
 4. CHARTER SCHOOL may receive funding from new or one-time funding sources available to schools or school districts provided by the State of California to the extent that CHARTER SCHOOL and its students generate such entitlements. Additionally, CHARTER SCHOOL may apply for private grants.
 5. Grants written by and obtained by CHARTER SCHOOL will come directly to CHARTER SCHOOL and not go through the District or be subtracted from the resources the District would otherwise have allocated to CHARTER SCHOOL.
 6. In addition to the Block Grant Funding specified herein, the parties recognize the authority of CHARTER SCHOOL to pursue additional sources of funding.
 7. If the District applies for additional sources of funding in the form of grants and/or categorical funding at the request of and for the benefit of CHARTER SCHOOL, which it may do in its sole discretion, the District will receive a percentage of such funds to be allocated to CHARTER SCHOOL. The District will charge the maximum indirect costs as allowed under law or as specified by the specific funding source. Funds shall be allocated to CHARTER SCHOOL on a prorated basis related to the formula that generates the funds. For example, if funds are generated on a per eligible students basis, they shall be allocated to CHARTER SCHOOL on a per eligible student basis minus the administration fee (i.e., indirect cost fee) charged by the District.
 8. CHARTER SCHOOL shall cooperate fully with the District in any applications made by the District on behalf of the students of CHARTER SCHOOL.





9. CHARTER SCHOOL agrees to comply with all applicable laws and regulations related to receipt and expenditures of such funds.
10. The District shall annually transfer to CHARTER SCHOOL funding in lieu of property taxes in monthly installments on or before the fifteenth (15th) of each month pursuant to Education Code section 47635.
11. CHARTER SCHOOL agrees that all loans received by CHARTER SCHOOL shall be the sole responsibility of CHARTER SCHOOL and the District shall have no obligation for repayment. Charter School agrees that it shall establish a fiscal plan for repayment of any loans received by Charter School in advance of approving receipt of such loans. It is agreed that all loans sought by Charter School shall be authorized in advance by the District and shall be the sole responsibility of Charter School. Charter School agrees that CUSD shall have no obligation for repayment. Charter School shall provide advance written notice with details of terms and repayment plan to CUSD specifying its intent to apply for/seek a loan. Charter School shall also provide to CUSD written notice of deposit of any sums which are loans and the plan for re-payment
12. CHARTER SCHOOL agrees that all revenue obtained by CHARTER SCHOOL shall only be used to provide educational services and support consistent with its Charter and shall not be used for purposes other than those set forth in the approved Charter, this Agreement or any authorized amendments. All expenditures shall be in accordance with applicable law.
13. CHARTER SCHOOL shall not seek a share of additional operational funding pursuant to Education Code section 47636, subdivision (a).

C. Legal Relationship

1. The Parties recognize that CHARTER SCHOOL is a separate legal entity that operates CHARTER SCHOOL under the supervisory oversight of the District.
2. CHARTER SCHOOL shall be wholly responsible for CHARTER SCHOOL's operations and shall manage its operations efficiently and economically within the constraints of CHARTER SCHOOL's annual budget. The District shall not be liable for the debts or obligations of CHARTER SCHOOL, for claims arising from the debts or obligations of CHARTER SCHOOL or for claims arising from the performance of acts, errors, or omissions by CHARTER SCHOOL, and CHARTER SCHOOL agrees to indemnify the District against any such claims as set forth in the Charter and this Section without regard to whether the District has performed the oversight responsibilities described in Education Code Sections 47604.32 and 47605(m). This indemnification clause shall survive termination of this Agreement.




CHARTER SCHOOL shall not have the authority to enter into a contract that would bind the District, nor to extend the credit of the District to any third person or party. CHARTER SCHOOL shall clearly indicate to vendors and other entities and individuals outside the District with which or with whom CHARTER SCHOOL enters into an agreement or contract that the obligations of CHARTER SCHOOL under such agreement or contract are solely the responsibility of CHARTER SCHOOL and are not the responsibility of the District.

CHARTER SCHOOL shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless the District, its officers, directors, employees, attorneys, agents, representatives, volunteers, successors and assigns (collectively hereinafter "District" and "District Personnel") from and against any and all actions, suits, claims, demands, losses, costs, penalties, obligations, errors, omissions, or liabilities, including legal costs, attorney's fees, and expert witness fees, whether or not suit is actually filed, and/or any judgment rendered against District and/or District Personnel, that may be asserted or claimed by any person, firm or entity arising out of, or in connection with, CHARTER SCHOOL's performance under this Agreement or the Charter, the condition or use of its facilities, or any acts, errors, negligence, omissions or intentional acts by CHARTER SCHOOL, its board of directors, administrators, employees, agents, representatives, volunteers, successors and assigns. This indemnity and hold harmless provision shall exclude actions brought by third persons against the District arising out of any intentional acts of the District and/or District Personnel or solely out of any acts or omissions of the District and/or District Personnel that are not otherwise related to or connected with CHARTER SCHOOL and/or its Personnel. This indemnification clause shall survive termination of this Agreement.

3. CHARTER SCHOOL will comply with all applicable state and federal laws, including, without limitation, the Ralph M. Brown Act (Gov. Code, § 54950 et seq.), the California Public Records Act (Gov. Code, § 6250 et seq.), and conflict of interest laws, including without limitation, the Political Reform Act (Gov. Code, § 87100) and Government Code section 1090 et seq.

CHARTER SCHOOL shall also comply with all applicable federal and state laws concerning the maintenance and disclosure of student records, including, without limitation, the Family Education Rights and Privacy Act of 1974 (20 U.S.C.A. §1232g), all applicable state and federal laws and regulations concerning the improvement of student achievement, including, without limitation, applicable provisions of the Elementary and Secondary Education Act of 1965 (20 U.S.C.A. § 6301, et seq. as amended by the No Child Left Behind Act of 2001 (hereinafter the law, state and federal regulations referred to herein as "NCLB") and agrees to



take appropriate remedial action if notified by the State of California of a violation of any of the foregoing.

4. Any complaints or concerns (including complaints filed with OCR, EEOC, or FEHA) received by the District about any aspect of the operation of CHARTER SCHOOL or about CHARTER SCHOOL shall be forwarded by the District to CHARTER SCHOOL. District may request that CHARTER SCHOOL inform the District of how such concerns or complaints are being addressed, and CHARTER SCHOOL shall provide such information. CHARTER SCHOOL shall handle its own uniform complaints pursuant to a Uniform Complaint Procedure adopted in accordance with California Code of Regulations, Title 5, Section 4600 et seq.

D. Fiscal Relationship

1. Oversight Obligations: District oversight obligations include, but are not necessarily limited to, the following:
 - a. Review and revision of this Agreement and any subsequent agreements to clarify and interpret the Charter and amendments to the Charter and the relationship between CHARTER SCHOOL and the District.
 - b. Monitoring performance and compliance with the Charter and with applicable laws, including, without limitation, by way of the following:
 - Visiting CHARTER SCHOOL at least once per year;
 - Ensuring that CHARTER SCHOOL submits the reports and documents identified in subsection (D)(1)(e) below;
 - Monitoring the fiscal condition of CHARTER SCHOOL;
 - Notifying the State of California upon the occurrence of any of the events described in Education Code section 47604.32(e).

CHARTER SCHOOL shall promptly respond to all reasonable inquiries of the District, including, but not limited to, inquiries regarding its financial records.

- c. Any process conducted in compliance with Education Code section 47607 related to the issuance of a notice to remedy or other corrective notice related to CHARTER SCHOOL's operations, including document requests, hearings, notices, and investigations, and monitoring efforts to remedy operational problems identified by the District.



- d. For purposes of fiscal oversight and monitoring by the District, the District requires CHARTER SCHOOL to provide information and documentation related to its operations. The District annually prepares its Due Dates for CHARTER SCHOOL Financial and Attendance Reports (“Reports”). CHARTER SCHOOL shall provide all information and documentation in the form and at the times specified in the Reports. Whether included in the Report or not, CHARTER SCHOOL shall provide the District with a copy of the following documents, data and reports, in the form and at the times specified.

(A) Student Data

CHARTER SCHOOL shall submit student enrollment projections to the District by March 19 of the preceding school year each year. During the school year, monthly enrollment and ADA reports with respect to CHARTER SCHOOL shall be provided to the District. CHARTER SCHOOL shall annually provide the District a list of names and addresses of students enrolled along with the school district of residence of each respective student no later than November 1 of each year.

CHARTER SCHOOL shall maintain contemporaneous written records of enrollment and ADA and make these records available to the District for inspection and audit upon request. CHARTER SCHOOL shall provide copies of the P-1, P-2, and annual state attendance reports to the District by December 15, April 13, and June 30, respectively, each year. Copies of amended state attendance reports, if any, shall be provided to the District within 3 weeks of discovery of the need for an making such an amendment. In addition, CHARTER SCHOOL shall provide all necessary information required to be submitted to the California Longitudinal Pupil Achievement System (CALPADS) no later than October 31 of each year, including the R-30 Report. Such reports must be generated using the required Standardized Account Code Structure (SACS) and Attendance Reporting software. CHARTER SCHOOL shall ensure that coding of student information conforms to District student information system requirements.

CHARTER SCHOOL’s student discipline policies shall be provided to the District annually, by September 1 of each year, and as updated.

(B) Personnel Data/Credential Data

Actual staffing data shall be provided to the District on an annual basis and prior to commencement of each school year. Teacher



credentials, clearances, and permits shall be maintained on file at CHARTER SCHOOL and shall be subject to periodic inspection by the District. Copies of credentials and a list of teaching/class assignments for each teacher shall be provided to the District by CHARTER SCHOOL at the commencement of each school year and no later than September 15, and whenever any changes in credentials or assignments occur during the school year, along with written verification by CHARTER SCHOOL that credentialing requirements imposed on CHARTER SCHOOL under NCLB have been met. CHARTER SCHOOL shall also provide to the District at the commencement of each school year and no later than September 15, all available information to demonstrate compliance with Education Code section 44237 for CHARTER SCHOOL employees.

(C) Budget/Financial Data

Charter School shall contract with CUSD or a third party to provide budget/financial services for the purposes of this Charter School and District shall agree on the choice of the provider. CUSD reserves the right to sub-contract these services provided to Charter School to another organization such as Butte County Office of Education. Charter School shall be responsible for paying for the financial services whether provided by CUSD or a third party. If the Charter contracts with CUSD, the agreed upon fee will be paid to CUSD by way of reductions to the monthly in Lieu of property tax payments.

Budget Data:

Charter School shall provide the following fiscal reports utilizing the Standard Accounting Code Structure (SACS) format to CUSD consistent with Education Code 47604.33 (a) 1-4. A preliminary budget due on June 30, 2011, for fiscal year 2011-2012; a first interim report, due on December 5, 2011, covering operations through October 31, 2011; a second interim report, due on March 5, 2012, covering operations through January 31; unaudited actuals, due on September 5 covering the period July 1- June 30. Charter School will also conduct an annual, independent financial audit, consistent with Education Code Section 47605(m), to be submitted no later than December 15 for the previous fiscal year. Charter School shall request the auditor to conduct an exit interview to discuss any findings. A copy of the entire exit interview report will be submitted to the Director of Fiscal Services. Charter School agrees to submit, in addition to the above financial reports, monthly financial statements to the Director of Fiscal Services of CUSD. These will be submitted to CUSD after



every Charter School monthly Board meeting. Charter School shall make every effort to comply fully with Education Code Section 47604.33.

Cash Flow Data:

CUSD shall be notified at least three weeks in advance of Board of Directors action to incur short or long term debt on behalf of CHARTER SCHOOL, and financing documents shall be made available for District review upon request.

Financial Data:

Bank account reconciliations for Charter School will be the responsibility of Charter School.

Charter School is required to provide the District with written assurances that demonstrate fiscal responsibility and planning in each financial decision over \$100,000, including entering into contracts and loans, within 10 days of entering into such financial commitments.

Financial Audit:

Charter School shall provide a copy of Charter School's Audited Financial Report to the District, the Butte County Superintendent of Schools, the State Controller, and the California Department of Education by December 15 of each year. Audit exceptions or deficiencies identified in the audit report shall be addressed by Charter School through the development of a remediation plan outlining how and when they will be resolved, subject to District approval. The remediation plan will be provided to the District by January 15 of each year or within 4 weeks following the finalization of the Audited Financial Report, whichever is later. Failure to obtain an approved remediation plan will be considered fiscal mismanagement within the meaning of Education Code section 47607(c)(3).

Loans

Charter School agrees that it shall establish a fiscal plan for repayment of any loans received by Charter School in advance of approving receipt of such loans. It is agreed that all loans sought by Charter School shall be authorized in advance by Charter School and shall be the sole responsibility of Charter School. Charter School agrees that the District shall have no obligation for repayment. Charter School shall provide advance written notice



with details of terms and repayment plan to District specifying its intent to apply for/seek a loan. Charter School shall also provide to District written notice of deposit of any sums which are loans and the plan for re-payment. It is not the intent of CUSD to approve or disapprove any prospective loans.

(D) Governance Data/Meeting Information

Copies of meeting agendas for meetings of CHARTER SCHOOL Board of Directors shall be posted to CHARTER SCHOOL facility and website at the time they are distributed to the public pursuant to the Brown Act. Copies of meeting minutes shall be posted at the facility and to CHARTER SCHOOL website within 5 days after their approval by the governing board. CHARTER SCHOOL shall provide the District with notice of all meetings by providing copies of agendas at the same time the agenda is posted and will provide copies of minutes to the District from each meeting upon approval of same.

CHARTER SCHOOL shall annually (on or before July 1 of each year) send to the District a list of its directors and officers, and shall notify the District within 30 days of any change in the composition of these directors and officers.

(E) Personnel Policies

A copy of CHARTER SCHOOL personnel and payroll policies shall be provided upon commencement of the first school year and annually thereafter by September 1.

(F) Risk Management Data

Copies of all policies of insurance and memoranda of coverage shall be provided by CHARTER SCHOOL to the District annually by no later than two weeks prior to the commencement of school.

A copy of CHARTER SCHOOL Health and Safety Plan shall be provided to the District at least annually no later than two weeks prior to the commencement of school.

(G) Programmatic/Performance Audit

CHARTER SCHOOL will prepare an annual performance report and shall provide all information necessary to demonstrate that CHARTER SCHOOL is pursuing adequately and/or meeting the applicable accountability standards described in the NCLB,



including adequate yearly progress, as defined by the State of California. The report shall also include: an analysis of whether student performance is meeting the goals specified in the Charter, using data displayed on a school-wide basis and disaggregated by major racial and ethnic categories to the extent feasible without compromising student confidentiality; an overview of CHARTER SCHOOL's admissions practices during the year and data regarding the numbers of students enrolled and the number on waiting lists; analysis of the effectiveness of CHARTER SCHOOL's internal and external dispute mechanisms and data on the number and resolution of disputes and complaints. The performance audit shall be provided to the District by December 31 of each year.

(H) Instructional Materials

CHARTER SCHOOL shall provide a list of core instructional materials by grade and content annually, no later than two weeks prior to the commencement of each school year.

(I) Other

CHARTER SCHOOL shall provide such other documents, data and reports as may be reasonably requested or required by the District.

- f. Data required to be submitted pursuant to this Section shall be submitted in electronic form if requested by the District.
- g. CHARTER SCHOOL shall comply with Generally Accepted Accounting Principles (GAAP) applicable to public school finance and fiscal management. CHARTER SCHOOL shall maintain a minimum reserve for economic uncertainties (designated fund balance) in an amount to be determined appropriate by the District but in no case less than 3% of year end expenditures of CHARTER SCHOOL.

Oversight Fees. CHARTER SCHOOL shall pay the District one percent (1%) of CHARTER SCHOOL revenues to cover the actual cost of oversight. "CHARTER SCHOOL revenue" means the general purpose entitlement and categorical block grant, as defined in subdivisions (a) and (b) of Section 47632. The District will deduct this amount monthly from the calculated In-lieu property tax revenue. Butte County Office of Education will deduct the oversight amount from the general purpose entitlement and categorical block grant received by them and remit the remaining to the Charter School on a monthly basis





2. Administrative Services. CUSD will not be responsible for providing any administrative services to CHARTER SCHOOL.

E. Special Education Services

1. School of the District for Special Education Purposes: CUSD agrees to provide Special Education Services pursuant to Education Code Section 47646. In accordance with the charter, CHARTER SCHOOL will function as a “public school of the District” for purposes of Education Code Section 47646 and the Individuals with Disabilities Act during the term of this agreement.
2. Referral: CHARTER SCHOOL staff shall be trained as needed by CUSD to identify students who may have exceptional needs and a Student Study Team will determine whether alternative interventions in the regular school setting will appropriately serve the needs of the student. CHARTER SCHOOL shall make any necessary referrals of students who are believed to be eligible for special education and related services. CHARTER SCHOOL shall notify CUSD of any referrals.
3. Evaluation: Once a student is referred, CUSD shall assume responsibility for identifying and providing for any school administered evaluations or assessments. CUSD shall consult with CHARTER SCHOOL staff when selecting and conducting assessments.
4. Section 504 Services CHARTER SCHOOL agrees to implement a Student Study Team, a regular education function, to monitor and guide referrals for Section 504 Services. CHARTER SCHOOL will develop, maintain and implement policies and procedures to ensure identification of students who may require Section 504 accommodation(s). Unless otherwise agreed between the parties, all aspects of Section 504 compliance will be the sole responsibility of CHARTER SCHOOL.
5. Individualized Education Plan Development CUSD assumes responsibility for developing written individualized education plans (IEP) for all students with exceptional needs. The IEP team shall have all legally mandated members and shall include a representative of CHARTER SCHOOL. To the extent consistent and in compliance with the requirements of applicable law, the plan shall be developed collaboratively with an effort to respect the school’s instructional design, mission and charter, and CHARTER SCHOOL shall make available any necessary staff to facilitate the IEP process. CUSD shall provide advance notice to CHARTER SCHOOL regarding all IEPs, and CUSD shall assume the responsibility for ensuring appropriate documentation of the IEP process and for ensuring all parent and student rights. CUSD Director of Educational Services (DES) will be notified by the CHARTER SCHOOL Principal of all IEP meetings via email, written notice, or a



phone call. The DES will be invited to attend all IEPs and CHARTER SCHOOL will serve as the Administrator of Record unless this is designated by the DES to the CHARTER SCHOOL Principal or designee.

6. Placement The IEP team shall have primary responsibility for determining the most appropriate placements and services for students with exceptional needs in accord with applicable laws. All services shall be delivered in the least restrictive environment and shall be consistent with CHARTER SCHOOL's instructional philosophy, mission, charter and program, but only to the extent consistent and in compliance with the requirements of applicable law.

7. Delivery of Special Education and Related Services CUSD shall assume ultimate responsibility for delivery of all special education and related services specified in the IEP or otherwise required by law. CHARTER SCHOOL shall cooperate fully with the delivery of such services, which shall be consistent with CHARTER SCHOOL's instructional philosophy, mission, charter, and operational policies, but only to the extent consistent and in compliance with the requirements of applicable law.

CUSD will be allocated all special education funds that are generated by CHARTER SCHOOL'S students. CUSD will be responsible for all of the financial costs of services and responsible for the delivery of special education services described herein. CUSD will be responsible for any and all costs associated with any due process or judicial proceedings which result from the actions of CUSD employees.

8. Uniform Complaint Resolution CUSD shall, in consultation with CHARTER SCHOOL, implement all aspects of a uniform complaint procedure for special education. CHARTER SCHOOL shall, whenever necessary, initiate and pursue due process hearings and claims as needed to ensure compliance with applicable laws.

9. Relationship with SELPA CUSD shall represent the interests of CHARTER SCHOOL in good faith at all SELPA governance meetings and related activities. CHARTER SCHOOL shall be able to participate in SELPA activities as needed and on a basis comparable with other District schools. CUSD shall notify CHARTER SCHOOL of any proposed changes to SELPA policies or practices regarding charter schools.

10. Funding. CUSD shall receive funding from the SELPA associated with ADA generated by the School. CHARTER SCHOOL shall agree to pay the District its share of the FY 2010-2011 special education per pupil encroachment upon submission of the calculation of the costs by CUSD and, in return, CUSD will provide all needed and appropriate special education services for CHARTER SCHOOL students, as they would for

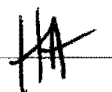


any other student within CUSD and in accordance with all applicable State and Federal laws. The exact formula to determine costs of encroachment is illustrated in Attachment A of this document.

11. Staffing CUSD agrees to employ and provide to CHARTER SCHOOL all needed and appropriate personnel for special education services at no additional charge other than that set forth in this Agreement. To ensure that service delivery for special education services is aligned with the instructional program, mission and charter of CHARTER SCHOOL, CUSD will inform all CUSD staff assigned to CHARTER SCHOOL of the charter and mission of CHARTER SCHOOL. CHARTER SCHOOL also reserves the right to request the reassignment of any member of CUSD's special education staff assigned to CHARTER SCHOOL if the CHARTER SCHOOL Principal determines they are not performing the responsibilities of his/her position satisfactorily and in accordance with this MOU. The process to be used by the CHARTER SCHOOL Principal shall be the same process used by other principals of CUSD, in accordance with collective bargaining agreements. However, nothing in this provision shall serve as a promise or guarantee that the District will reassign the employee in question. Progressive discipline will be employed and the CHARTER SCHOOL Principal agrees to notify and meet with the CUSD DES to determine the best course of action for both CUSD and CHARTER SCHOOL. The confidentiality rights of the employee shall be observed at all times. In return, the CUSD DES agrees to notify the CHARTER SCHOOL Principal of all action taken by CUSD to remedy the situation in a timely manner. It is understood that all individuals in the special education team are employees of CUSD and this agreement will not obstruct the rights of the personnel employed by CUSD set forth in CUSD's collective bargaining agreements. CHARTER SCHOOL will provide the CUSD employees with appropriate workspace and working conditions.

12. Payment for Services, Special Education Encroachment and Oversight Fees CHARTER SCHOOL and CUSD agree that CHARTER SCHOOL will make monthly payments to CUSD with respect to oversight fees (i.e., 1% deduction from General Purpose Entitlement and Categorical Block Grant as defined in Education Code Section 47632). The deduction for the oversight fees will be calculated monthly and a receipt will be provided to CHARTER SCHOOL documenting the monthly payments.

CUSD will invoice CHARTER SCHOOL quarterly for Special Education Encroachment costs. Attachment A provides the formula by which each year's Special Education encroachment is calculated. It also provides the calculation, which determines the CHARTER SCHOOL share of the annual encroachment. Encroachment will be calculated and billed in the budget year based on the prior year Estimated Actuals. CUSD will bill



CHARTER SCHOOL 1/4 of the annual amount calculated in Attachment A each quarter of the budget year, i.e., September 30th, December 31st, April 30th and June 30th of each year.

CUSD will close its books in early October of each year at which time reconciliation will be completed determining the actual amount of the Special Education encroachment. The amount that was billed to CHARTER SCHOOL during the preceding year will be deducted from the actual amount of the CHARTER SCHOOL share to determine the net adjustment. The net amount will be added to or subtracted from the December quarterly billing for the budget year.

CHARTER SCHOOL and CUSD agree to use the Dispute Resolution Process outlined in Element 14 of the CHARTER SCHOOL Charter to reach agreement over any contested charges if there are any. CHARTER SCHOOL reserves the right, as supported by law, to request that CUSD provide additional supporting documentation to substantiate any fees or costs should the costs exceed the agreed upon costs in this agreement.

F. Section 504 of the Rehabilitation Act of 1973

1. CHARTER SCHOOL shall be solely responsible for its compliance with Section 504 of the Rehabilitation Act of 1973 ("Section 504"). CHARTER SCHOOL recognizes its sole legal responsibility to ensure that no qualified person with a disability shall, on the basis of the disability, be excluded from participation, be denied the benefits of, or otherwise be subjected to discrimination under any program of CHARTER SCHOOL. Any student who has an objectively identified disability which substantially limits a major life activity such as learning is eligible for accommodation by CHARTER SCHOOL.
2. CHARTER SCHOOL shall adopt a Section 504 policy, procedure and forms.
3. By September 1 of each year, CHARTER SCHOOL shall designate a CHARTER SCHOOL employee responsible for Section 504 compliance and notify the District's Director of Student Services in writing of the responsible individual. The designated CHARTER SCHOOL employee shall notify the District's Director of Student Services anytime a student eligible under Section 504 withdraws from CHARTER SCHOOL, including notice of the school in which the student enrolled in following withdrawal from CHARTER SCHOOL and the student's district of residence.
4. In the case of pending student discipline of an eligible student who receives Section 504 accommodations, CHARTER SCHOOL will ensure that it follows procedures to comply with the mandates of State and



Federal laws for considering disciplinary action against disabled students. Prior to recommending expulsion of a Section 504 student, CHARTER SCHOOL will convene a review committee to determine whether the student's misconduct was a manifestation of his or her disability, whether the student was appropriately placed and receiving the appropriate services at the time of the misconduct, and/or whether behavior intervention strategies were in effect and consistent with the student's Section 504 plan. CHARTER SCHOOL may proceed with an expulsion only if it is determined that the student's misconduct was not a manifestation of his/her disability, that the student was appropriately placed and was receiving appropriate services at the time of the misconduct, and that the behavior intervention strategies were in effect and consistent with the student's Section 504 plan. CHARTER SCHOOL acknowledges and understands that it shall be solely responsible for such compliance.

G. Student Application/Registration/Records/Withdrawal

1. CHARTER SCHOOL shall adopt Student Application and Registration forms that include questions about whether the student is currently receiving or has ever received any type of special services (e.g. special education, IEP, Section 504 plan, accommodation plan), or has been expelled from a school district.

2. CHARTER SCHOOL shall use a Records Request form to request pupil records from the prior school of attendance for all students who indicate an intention to enroll in CHARTER SCHOOL.

3. Within 24 hours of any District resident student's expulsion, withdrawal, or disenrollment from CHARTER SCHOOL for any reason during the school year, CHARTER SCHOOL shall notify the District's Director of Student Services of the student's name, date of expulsion, withdrawal or disenrollment, the reason for such separation, and the student's next school/district of attendance. CHARTER SCHOOL shall comply with Education Code section 47605(d)(3) in terms of providing notice of expulsion, withdrawal, or disenrollment of students who reside in other school districts.

H. General and Special Education – Discipline and Documentation

CHARTER SCHOOL shall maintain copies in student files of all correspondence, including e-mails, between CHARTER SCHOOL and parents relating to student discipline and special services, including any requests for services, inquiries, referrals, and responses.

I. Insurance and Risk Management



1. General & Excess Liability

The CHARTER SCHOOL, at its expense, shall procure and maintain throughout the term of this Agreement General Liability insurance with a minimum per occurrence limit of \$15,000,000 and the deductible/self-insurance retention shall not exceed \$10,000. Insurance shall include coverage for claims against the CHARTER SCHOOL, its elected or appointed officials, employees, agents, volunteers and students (interns while acting on behalf of the CHARTER SCHOOL) arising out of errors and omissions, abuse and molestation, and employment practices liability. The policy or policies shall name as additional insured/additional covered party the CUSD, its elected or appointed officials, employees, agents and volunteers. The policy or policies shall provide that this insurance shall be primary with respect to any liability or claimed liability arising out of the performance or activities by the CHARTER SCHOOL under this Agreement or the CHARTER SCHOOL's use of the Premises, and that any insurance procured by the CUSD, its elected or appointed officials, employees, agents and volunteers shall be excess and shall not be called upon to contribute until the limits of the insurance provided hereunder shall be exhausted. CUSD is not responsible for personal property losses suffered by the CHARTER SCHOOL, its elected or appointed officials, employees, agents, volunteers or students.

2. Automobile Liability

CHARTER SCHOOL shall maintain automobile liability insurance, including non-owned and hired coverage with a minimum per accident limit of \$15,000,000 for any injuries to persons (including death therefrom) and property damage in connection with the CHARTER SCHOOL's activities under this Agreement.

3. Workers' Compensation

CHARTER SCHOOL is to procure and maintain, for the duration of this Agreement, Workers' Compensation insurance against claims for injuries to the CHARTER SCHOOL's employees in accordance with such insurance as required by the State of California Labor Code and Employers Liability coverage.

4. Proof of Insurance

CHARTER SCHOOL shall furnish CUSD with original certificates and amendatory endorsements affecting coverage required by this Agreement. All certificates and endorsements are to be received and approved by the CUSD before commencement of any activities under this Agreement. However, failure to do so shall not operate as a waiver of these insurance



requirements. CUSD reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by this Agreement at any time.

Risk Management

The CHARTER SCHOOL shall establish and institute risk management policies and practices to address reasonably foreseeable occurrences.

A report of the risk management program operation shall be submitted to CUSD no later than October 31 each year. The components of the report should include the Designated Safety Officer and establish that the following are in place:

- (1) Injury illness prevention plan
- (2) Bloodborne Pathogen training
- (3) Hazard Communication program
- (4) Emergency Plan
- (5) Documentation of Employee Safety Training Annual Safety Inspections

J. Human Resources Management

1. All staff working at CHARTER SCHOOL are employees of CHARTER SCHOOL. CHARTER SCHOOL shall have sole responsibility for employment, management, salary, benefits, dismissal and discipline of its employees.
2. CHARTER SCHOOL will be considered the public school employer pursuant to the Educational Employment Relations Act.
3. CHARTER SCHOOL agrees to comply with applicable federal statutory and regulatory requirements for highly qualified teachers and paraprofessionals used for instructional support as set forth in NCLB.

K. Transportation

All responsibility for transportation services, if offered, will be provided by CHARTER SCHOOL, including transportation for field trips.

L. Nutritional Services

CHARTER SCHOOL will be responsible for providing its own food services, if any.

M. Educational Program



1. Subject to District oversight and compliance with its Charter and applicable state and federal law, including, without limitation, NCLB, IDEA, state law on the education of students with disabilities, and Section 504, CHARTER SCHOOL is autonomous for the purposes of, among other things, deciding CHARTER SCHOOL's educational program with the understanding that the educational program shall comply with the Charter.
 2. CHARTER SCHOOL calendar and daily agenda shall be submitted annually to the District for review and verification of compliance with instructional day and minutes requirements. Any calendar changes will be provided to the District by March 1 prior to the beginning of a new school year.
 3. It is understood that CHARTER SCHOOL shall meet or pursue the Adequate Yearly Progress (AYP) provisions and other applicable accountability provisions of Title I, Part A of NCLB.
- N. Facilities. CHARTER SCHOOL shall comply with Education Code Section 47610 by either utilizing facilities that are compliant with the Field Act or facilities that are compliant with the State Building Code. The facilities shall meet the requirements of the Americans with Disabilities Act and shall be approved by the local fire marshal for the use intended. CHARTER SCHOOL agrees to test sprinkler systems, fire extinguishers, and fire alarms annually at its facilities to ensure that they are maintained in an operable condition at all times. CHARTER SCHOOL shall conduct fire drills monthly and shall maintain records of such drills. CHARTER SCHOOL shall not establish more than one site or facility without seeking material revision of its Charter document from the District's Board. Should CHARTER SCHOOL wish to utilize District facilities, CHARTER SCHOOL understands and acknowledges that a separate, annual request and agreement will be required.
- O. Renewal. The parties recognize that CHARTER SCHOOL will be required to meet at least one of the academic performance criteria set forth in Education Code section 47607(b), in addition to the terms set forth in Paragraph X of this MOU, as a condition for renewal unless this requirement is changed by the Legislature. If CHARTER SCHOOL intends to apply for a renewal of its charter, it must submit its petition no later than six (6) months in advance of the end of its current term. In addition to satisfying all applicable legal criteria, CHARTER SCHOOL must be able to demonstrate that it is fiscally sound and has operated in full compliance with its Charter and this MOU in order to be renewed.
- P. Response to Requests. Pursuant to Education Code section 47604.3, CHARTER SCHOOL shall respond promptly to all reasonable written requests of the District.




- Q. Legal Counsel. CHARTER SCHOOL shall retain the right to use its own legal counsel and will be responsible for procuring such counsel and associated costs.
- R. Enrollment of Expelled Students. Neither CHARTER SCHOOL nor the District shall be obligated to accept enrollment of any student who has been expelled from the other entity during the term of the expulsion except as may be required by federal or state law.
- S. Provision of Documents. With both parties understanding that some state, federal and county documents directed toward CHARTER SCHOOL may be mailed to the District, the District agrees to pass on such documents and forms to CHARTER SCHOOL in a timely manner, so it may complete its legal obligations. CHARTER SCHOOL has full responsibility for the forms and documents it receives directly and those which it must access on the internet on its own.
- T. Non-Assignment. Neither party shall assign its rights, duties or privileges under this Agreement, nor shall either party attempt to confer any of its rights, duties or privileges under this Agreement on any third party, without the written consent of the other party. The replacement of CHARTER SCHOOL with any other nonprofit corporation or other operating body or governance structure shall be treated as a material revision of the Charter, subject to the review and approval of the District pursuant to applicable provisions of the Education Code.
- U. Severability. If any provision or any part of this Agreement is for any reason held to be invalid or unenforceable or contrary to public policy, law or statute and/or ordinance, the remainder of this Agreement shall not be affected thereby and shall remain valid and fully enforceable.
- V. Reimbursement of Mandated Costs. CHARTER SCHOOL shall seek reimbursements of its mandated costs, if any, directly from the State.
- W. Enforcement of Agreement. It is understood and agreed, and CHARTER SCHOOL is estopped from denying, that the terms of this Agreement are intended to become part of the conditions, standards and procedures set forth in the Charter within the meaning of Education Code section 47607(c)(1) and that any violation of the Agreement is subject to the revocation provisions of Education Code section 47607. Although the terms of the Agreement are to become part of the conditions, standards and procedures set forth in the Charter, this Agreement is not subject to the dispute resolution provision of the Charter. It is further understood and agreed that the District may, in its sole discretion, enforce the terms of the Agreement by civil action and/or by revocation.
- X. Conditions Related to Granting of Charter: Charter School agrees that it shall meet all of the performance requirements set forth in this Section as a requirement




for the renewal of its charter term, pursuant to the April 6, 2011 Resolution granted by the District's governing board (attached hereto as Exhibit A):

1. Academic Growth – Blue Oak will continue building an emphasis on standards and continue API growth to produce scores consistent with schools in CUSD with similar demographics. The CUSD average and demographically similar schools are listed below.

2010 Growth API Report

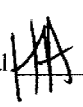
| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| CUSD | 789 | 781 | 770 | 758 | 754 |
| Blue Oak | 732 | 674 | 727 | 705 | 673 |
| Neal Dow | 781 | 804 | 815 | 778 | 781 |
| Little Chico Creek | 797 | 817 | 805 | 814 | 789 |

2. The percentage of Blue Oak students scoring at least proficient on the ELA and Math CST tests will continue to climb to produce scores consistent with CUSD schools with similar demographics. The CUSD proficiency scores are listed below as well as proficiency scores from demographically similar schools.

| | 2010 ELA | 2009 ELA | 2008 ELA | 2007 ELA | 2006 ELA |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| CUSD (gr.2-8) | 53.5% | 53.5% | 49.9% | 49.0% | 48.1% |
| Blue Oak | 46.1% | 41.0% | 42.9% | 43.8% | 35.3% |
| Neal Dow | 53.7% | 54.4% | 54.1% | 49.5% | 50.8% |
| LCC | 52.7% | 63.4% | 53.1% | 52.2% | 52.7% |

| | 2010 Math | 2009 Math | 2008 Math | 2007 Math | 2006 Math |
|----------------------|------------------|------------------|------------------|------------------|------------------|
| CUSD (gr.2-8) | 52.7% | 56.0% | 53.3% | 52.1 | 53.5% |
| Blue Oak | 31.6% | 27.0% | 22.1% | 20.5% | 25.5% |
| Neal Dow | 49.8% | 64.8% | 55.7% | 56.6% | 55.0% |
| LCC | 47.8% | 56.6% | 55.9% | 55.8% | 50.6% |


3. Resolution of issues regarding Special Education services and funding with the Butte County Office of Education.
4. Immediately work with the Chico Unified School District Charter Liaison to Modify the Conflict of Interest section of Blue Oak Charter Petition to meet the requirement of containing a reasonably comprehensive description of what legal standards would be used to determine the existence of a conflict of interest. The wording of this section of the petition needs to be changed to reflect Blue Oak's promise to amend its Bylaws to be consistent with the requirements of Government Code 1090.

5. Immediately work with the CUSD Charter Liaison to revise the Dispute Resolution procedure in the Charter Petition to meets the requirements CUSD and the applicable regulations have for this section. The Dispute Resolution section of the charter petition must include a provision that the procedure will not apply to disputes potentially leading to revocation of the charter. The statement that the District shall not intervene in a dispute unless it “directly relates to one of the reasons specified in law for which a charter may be revoked” must be deleted.
6. Blue Oak shall execute this MOU no later than May 15, 2011, containing the above terms, and agreeing to their express incorporation into the charter, having the same force and effect as if expressly contained therein. Should Blue Oak fail to execute this MOU by May 15, 2011, the Board’s granting of the charter shall be rescinded by automatic operation of law, without any further action required by the CUSD Board.
7. Blue Oak must meet all of the performance standards in this MOU and the April 6, 2011 Resolution approved by the District’s Governing Board. Failure to meet any one of the requirements contained in this Resolution or MOU will be cause for non-renewal upon the end of the term. Specifically, Blue Oak must meet its API growth target during every year of the charter term (maintaining constant growth at the rate that shows it will match CUSD demographically similar schools), and must score at least proficient on the ELA and Math CST tests at a rate that either meets or exceeds the demographically similar schools in Chico Unified schoolwide and in all statistically significant sub-goups in all subject matters assessed with the STAR test, and for every year of the charter term.

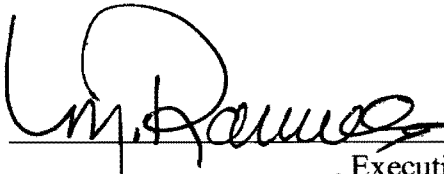
This represents the full and final agreement between CHARTER SCHOOL and the District and shall only be modified in writing by the mutual agreement of the parties.

Dated: 5-16-11



 Kelly Staley, Superintendent
 Chico Unified Schdol District

Dated: 5/13/11



 _____, Executive Director
 BlueOak Charter School