



ADMINISTRATIVE SERVICES AGREEMENT

THIS ADMINISTRATIVE SERVICES AGREEMENT (this "Agreement") is made as of this 17th day of August 2010 by and between The Wonder of Reading, a California nonprofit public benefit corporation ("Administrator"), and Citizens of the World Charter Co., a California nonprofit public benefit corporation ("Company").

WITNESSETH:

WHEREAS, Company desires to obtain Administrator's services in connection with the Company's operation of clusters of charter schools (collectively, the "Schools") pursuant to the terms hereof, and Administrator is willing to provide the services as hereinafter set forth;

WHEREAS, Administrator intends to provide its services to the Company at substantially below Administrator's cost of providing such services;

WHEREAS, in contemplation of this Agreement, Administrator and Mark Gordon ("Gordon") have entered into a Grant Agreement (the "Grant Agreement") dated as of August 14, 2010, wherein Gordon has agreed to make charitable contributions to Administrator in the aggregate amount of \$5.2 million to support Administrator's provision of services to the Company for the academic year 2010-11 through 2014-2015 academic year;

NOW, THEREFORE, in consideration of the covenants and agreements of the parties herein contained and of the fees to be paid to Administrator as hereinafter set forth, the parties hereto do hereby agree on behalf of themselves and their respective legal successors and assigns, as follows:

1. **APPOINTMENT.** Company hereby engages Administrator on the terms and conditions hereinafter set forth to provide the described services to Company, and Administrator hereby agrees to provide the services to Company, pursuant to the terms hereof.

2. **TERM.** This Agreement shall commence upon the date hereof and shall continue until the end of the 2014-2015 academic year for operation of the Company's clusters of charter schools currently known as Citizens of the World Charter Schools; provided that, if Administrator fails to receive funding from Gordon or a foundation established by Gordon on the terms set forth in the Grant Agreement, Administrator may terminate this Agreement by giving written notice to the Company of termination.

3. **DUTIES OF ADMINISTRATOR.** Administrator shall provide administrative services (collectively, the "Services") necessary to establish and maintain the Schools' operations. Administrator retains the right to outsource any portion of the Services to be provided by Administrator. Specifically, the Services will include:

[a] Tax Exemption of Company: Administrator will prepare and submit an application for recognition of the Company as exempt from federal income taxation under Section 501(a) of the Internal Revenue Code as a corporation

described in Section 501(c)(3) of the Internal Revenue Code. Administrator will complete all necessary documentation and application forms with guidance from external legal counsel.

[b] Charter Work: Administrator will write and submit all necessary elements of each charter petition for the Schools including the mission and, as required by California Education Code 47605, a “reasonably comprehensive description” of the following: the educational program, measurable pupil outcomes, method for measuring outcomes, governance structure, employee qualifications, health and safety procedures, means to achieve racial and ethnic balance, admissions requirements, annual audits, suspension and expulsion policies, employee benefits, attendance alternatives, return rights of employees, dispute resolution procedures, employee representation, and procedures for closing. Additional information will be written into the petition as required by the state and local charter authorizers such as budget and cash flow projections, description of the community to be served, description of founders, facilities, assurances, and potential impact on the authorizer. Administrator will manage communication and application requirements with the local authorizer until final approval is received. Each cluster of schools will be responsible for fulfilling the requirements of the local authorizer for charter compliance and the renewal process, under the supervision of Administrator.

[c] Facilities: Administrator will plan facility needs, work to identify appropriate facilities, and plan any necessary improvements to ensure that facilities meet educational, safety and compliance requirements. Administrator will collaborate with Company to identify financing and funds for facilities. Administrator will not be responsible for the purchase or lease of the needed facilities, and Company retains responsibility for all expenses related to the operations of the Schools. Administrator will supervise submission of Proposition 39 requests and other facility-related filings.

[d] Student Outreach and Recruitment: Administrator will provide oversight and management of student outreach and student recruitment efforts for the purpose of meeting the goals outlined in each school’s mission and charter petition.

[e] Strategic Planning and Evaluation: Administrator will lead and supervise strategic planning, goal setting and evaluation. Administrator will determine how and when progress to goals will be reported and tracked. Administrator retains ultimate approval of all strategic plans and goals for the Schools.

[f] Professional Development: Administrator will provide professional development of key personnel of the Schools including but not limited to Executive Directors (if any) and principals. Professional development will be focused on topics that align to the mission of and goals of the Schools as laid out in the strategic plans for the Schools. Topics for professional development will address issues such as staff hiring and selection, teacher and staff evaluation,

academic goal setting, progress monitoring for student achievement, fundraising and family/community engagement.

[g] Academic Impact: Administrator will design an academic impact model and hold each school accountable to academic outcomes through the strategic planning, goal setting and evaluation process. Administrator will determine how and when progress to goals will be reported and tracked.

[h] Human Resources: Administrator will provide guidance and training in the area of human resources.

[i] Fundraising: Administrator will provide guidance and training in the area of fundraising.

[j] Technology: Administrator will design and create systems and structures to ensure that the Schools have sufficient technological capability.

[k] Public Relations: Administrator will provide guidance and training in the area of public relations.

[l] Marketing: Administrator will provide technical assistance in the area of marketing. Administrator's assistance will include, but not necessarily be limited to, the creation of the Company and school logos (including permissible use of colors) and the creation of forms and templates to be used in certain school functions. Administrator retains the right to determine mandatory marketing and branding guidelines. Administrator retains the right to control the Company's website.

[m] Finance Related Service: Administrator will provide all or most of the finance-related services to each cluster of schools. These services include bill paying, accounting, balance sheet reconciliation, financial statement preparation, audit preparation, payroll, retirement reporting, forecasting, setting up strong internal controls, and assisting with the budgeting process. All financial reports required by the chartering agencies will also be prepared along with certain compliance reports such as the statistical and classification attendance reports, P-1, P-2 and Annual Attendance reports, all necessary Title expenditure reports and the Consolidated Application. The Administrator will provide these services via an outsourced business provider or through in-house personnel. Each cluster of schools will be responsible for purchasing, receiving and authorizing school site expenditures.

[n] Personnel: Administrator shall supervise and shall have authority, on behalf of Company, to hire, fire and evaluate all employees of the Schools.

4. **SERVICES FEE.** In consideration for the services, Administrator shall receive a monthly "Services Fee" equal to a percentage, as specified the table below, of the total revenues of

Company for such month, determined in accordance with United States generally accepted accounting principles that are consistently applied; provided, however, that if in any month Company suffers a net loss, the amount of such net loss will be carried forward to succeeding months and no further payment of the Services Fee shall be made hereunder until and to the extent that the cumulative amount of all such losses is recouped against net income of Company earned in such succeeding months. The Services Fee shall be payable by Company to Administrator on or before the 30th day after the end of each calendar month during the term of this Agreement. The Services Fee is the only compensation or other payment to which Administrator will be entitled hereunder.

Subject to the terms of this agreement, Administrator shall be responsible for all of its own costs and expenses necessary to fulfill its obligations under this Agreement, including, but not limited to, compensation and other benefits payable to any Administrator employees and any travel expenses. The parties acknowledge and agree that the percentages set forth below for the Academic Years 2011-12, 2012-13, 2013-14 and 2014-15 are based upon current projections of Company's revenues and Administrator's costs of providing the Services for such Academic Years. In the event of a material change in such revenues or costs for any such Academic Year from those in the projections for such Academic Year, the parties agree to adjust the percentage for such Academic Year so that the excess of Administrator's cost of providing the Services over the Services Fee payable by Company for such Academic Year remains substantially the same as if such revenues and costs were in the amounts projected, provided that the adjusted percentage shall not exceed 10%.

Academic Year(s)	Percentage
2010-11	0.00%
2011-12	4%
2012-13	6%
2013-14	7%
2014-15	8%
2015-16 and thereafter	TBD at renewal

5. **INDEPENDENT CONTRACTOR.** It is expressly agreed by the parties hereto that Administrator is not an employee of the Company for any purpose whatsoever, including for federal or state tax purposes, but is an independent contractor. Furthermore, no relationship of joint venture or partnership of any form is created by this Agreement.

6. **NOTICES.** Administrator and Company agree to provide to each other promptly upon receipt copies of any and all notices that such party may receive from governmental agencies or other third parties concerning the operation of the Schools and to keep each other informed of material events or developments specifically relating to the operation of the Schools.

7. **RETAINED DUTIES.** Company shall undertake and perform all duties and obligations necessary for the operation of the Schools as California charter schools in compliance with their charters and applicable federal and state laws, other than those duties and obligations that have been undertaken by Administrator pursuant to this Agreement. If Company

fails to undertake or perform any such retained duty or obligation, Administrator may, but shall not be obligated to, undertake or perform such duty or obligation for the account of the Company, and upon demand Company shall promptly reimburse Administrator for Administrator's costs of Administrator's undertaking or performance. Company retains full and sole responsibility for all expenses and obligations arising from or in connection with the development, construction or operation of Schools other than the compensation and benefits paid to Administrator's employees and any expenses arising from Administrator's outsourcing of its duties hereunder.

8. **INDEMNITY.** Company shall indemnify, defend and hold harmless Administrator and its employees, agents and representatives from and against any and all claims, demands, damages, losses, liabilities, obligations, costs and expenses, including attorneys' fees (collectively, "Losses and Liabilities"), arising out of or in connection with claims asserted by third parties (including without limitation any governmental agency) relating to the Schools, or any breach by Company of its obligations hereunder, or any willful misconduct or active negligence of Company, but excepting therefrom any Losses and Liabilities which arise out of or in connection with any willful misconduct or active negligence of Administrator or any breach by Administrator of this Agreement.

9. **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

10. **SEVERABILITY.** Any provision of this Agreement which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.

* * *

IN WITNESS WHEREOF, Administrator and Company have caused this Agreement to be executed as of the day and year first above written.

THE WONDER OF READING

By: _____
Name:
Title:

CITIZENS OF THE WORLD CHARTER CO.

By: _____
Name:
Title: