

MEMORANDUM OF UNDERSTANDING REGARDING OVERSIGHT
by and between
CHICO UNIFIED SCHOOL DISTRICT
AND INSPIRE SCHOOL OF THE ARTS AND SCIENCES

This Memorandum of Understanding ("Agreement") is executed between the Chico Unified School District ("CUSD") and Inspire School of the Arts and Sciences ("INSPIRE").

I. RECITALS:

- A. The CUSD is a school district existing under the laws of the State of California.
- B. INSPIRE is an indirect funded California public Charter School existing under the laws of the State of California and under the chartering authority oversight of CUSD.
- C. CUSD is the authorizing agency of INSPIRE. This Agreement is intended to outline the agreement of INSPIRE and CUSD governing their respective fiscal and administrative responsibilities, their legal relationships and the operation of INSPIRE.
- D. Written modifications of this Agreement may be made by mutual agreement as set forth in Section A below. This Agreement shall be effective upon execution until terminated in accordance with this Agreement, and shall remain in effect for the duration of the existing charter document.
- E. If the terms of this Agreement conflict with the terms of the Charter, this Agreement shall control and supersede the Charter. If the inconsistency is material to the terms of the Charter, the two parties will meet to consider the Charter to reach consistency. In addition, if the Charter, read alone without incorporating this Agreement, is silent on an issue addressed by this Agreement, this Agreement shall control.
- F. Should Chico Unified School District revert to State receivership, INSPIRE reserves the right to terminate the relationship with CUSD contingent upon securing property/liability, automobile liability and worker's compensation insurance pursuant to Section H1 through H4, and shall have the option to become a direct funded charter school.

II. AGREEMENTS

A. Terms

- 1. This Agreement will govern the relationship between CUSD and INSPIRE regarding the operation of INSPIRE.

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 INSPIRE is the Principal of INSPIRE.
4. The duly authorized representative of CUSD is the Superintendent or Designee. In order to ensure consistency in communications, all communication regarding any aspect of the operation of INSPIRE shall be initiated by the designated representative of INSPIRE with the Superintendent of CUSD, unless the Superintendent delegates this function to a Designee
5. The term of this Agreement shall begin July 1, 2012 and will be effective through June 30, 2014. No later than 60 days before the current expiration date of this Agreement, upon the written request of either party, the parties shall meet and confer over the services and fees set forth in Section E, or regarding any other term of this Agreement that a party wishes to change. Should the parties agree to modify the terms of Section E or any other term of this Agreement, they shall mutually negotiate and execute a modification of or addendum to this Agreement. Should neither party request to meet and confer over Section E or any other term of this Agreement by the date set forth above, or if the parties cannot agree to modified terms in Section E or any other term of this Agreement, the terms of the current Agreement shall continue in full effect and the term of this Agreement shall be extended automatically to June 30, 2017.
6. This Agreement shall terminate automatically upon closure of INSPIRE for any reason, except as may be specified otherwise herein. "Closure" means that all legally required closure processes are completed. Notwithstanding the terms of this paragraph, the MOU shall not terminate until such time as INSPIRE has exhausted all of its statutory appeal rights under Education Code Section 47607 in the event of non-renewal or revocation by CUSD.

B. Funding

1. INSPIRE is eligible for State Block Grant Funding. In addition to a general purpose entitlement, this Block Grant Funding will include INSPIRE's computed share of categorical programs listed in California Education Code Section 47634. Block Grant Funding will be apportioned by Average Daily Attendance (ADA). INSPIRE 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 INSPIRE is required to apply separately such as summer school or class-size reduction.
 - b. Special Education programs -- these funds are allocated to CUSD as long as INSPIRE functions as a public school of CUSD for purposes of special education. INSPIRE 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 INSPIRE's special education costs in accordance with Section F.10 of this agreement.
 - c. Economic Impact Aid -- these funds are allocated separately, based on qualifying students.
 - d. Lottery funds -- INSPIRE will be funded directly from the State through CUSD 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. INSPIRE is eligible for Federal funding including, but not limited to: Title I, II, IV and VII, based on the qualification of INSPIRE's students for such funding.
 3. INSPIRE will receive funding from the State indirectly, pursuant to Education Code Section 47651.
 4. INSPIRE 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 INSPIRE and its students generate such entitlements. Additionally, INSPIRE may apply for private grants.
 5. Grants written by and obtained by INSPIRE will not be subtracted from the resources CUSD would otherwise have allocated to INSPIRE. Grants written will include a factor for indirect costs, if allowed by the grantor, for 3% or the CUSD rate if eligible. Upon expense of such grants the indirect cost shall be charged by CUSD as a cost of doing business.
 6. In addition to the Block Grant Funding specified herein, the parties recognize the authority of INSPIRE to pursue additional sources of funding.
 7. If CUSD applies for additional sources of funding in the form of grants and/or categorical funding at the request of and for the benefit of INSPIRE, which CUSD may do in its sole discretion, CUSD will receive a percentage of such funds to be allocated to INSPIRE. CUSD will charge the maximum indirect costs as allowed under law or as specified by the specific funding source. Funds shall be allocated to INSPIRE on a

prorated basis related to the formula that generates the funds. For example, if funds are generated on a per eligible student basis, they shall be allocated to INSPIRE on a per eligible student basis minus the administration fee (i.e., indirect cost fee) charged by CUSD.

8. INSPIRE shall cooperate fully with CUSD in any applications made by CUSD on behalf of the students of INSPIRE.
9. INSPIRE agrees to comply with all applicable laws and regulations related to receipt and expenditures of such funds.
10. CUSD shall annually transfer to INSPIRE 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. INSPIRE agrees that all loans received by INSPIRE shall be the sole responsibility of INSPIRE and CUSD shall have no obligation for repayment. INSPIRE agrees that it shall establish a fiscal plan for repayment of any loans received by INSPIRE in advance of approving receipt of such loans. It is agreed that all loans sought by INSPIRE shall be authorized in advance by INSPIRE and shall be the sole responsibility of INSPIRE. INSPIRE agrees that CUSD shall have no obligation for repayment. INSPIRE shall provide advance written notice with details of terms and repayment plan to CUSD specifying its intent to apply for/seek a loan. INSPIRE shall also provide to CUSD written notice of deposit of any sums which are loans and the plan for re-payment.
12. INSPIRE agrees that all public funding obtained by INSPIRE 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. INSPIRE 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 INSPIRE is a quasi-separate legal entity that operates INSPIRE under the supervisory oversight of CUSD.
2. As an indirect funded charter school, INSPIRE shall be wholly responsible for INSPIRE's operations and shall manage its operations efficiently and economically within the constraints of INSPIRE's annual budget. CUSD shall not be liable for the debts or obligations of INSPIRE, for claims arising from the debts or obligations of INSPIRE or for claims arising from the performance of acts, errors, or omissions by INSPIRE, and

INSPIRE agrees to indemnify CUSD against any such claims as set forth in the Charter and this Section without regard to whether CUSD has performed the oversight responsibilities described in Education Code Sections 47604.32 and 47605(m), provided that INSPIRE shall not be responsible for indemnifying CUSD if the debt, obligation, or claim is caused in part or in whole by CUSD's negligence or willful misconduct. This indemnification clause shall survive termination of this Agreement.

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

INSPIRE shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless CUSD, 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, INSPIRE's performance under this Agreement or the Charter, or any acts, errors, negligence, omissions or intentional acts by INSPIRE, 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 CUSD arising out of any intentional acts of CUSD and/or District Personnel or solely out of any acts or omissions of CUSD and/or District Personnel that are not otherwise related to or connected with INSPIRE and/or its Personnel. This indemnification clause shall survive termination of this Agreement.

3. INSPIRE will comply with all applicable state and federal laws, including, without limitation, the Ralph M. Brown Act (Gov. Code, Section 54950 et seq.), the California Public Records Act (Gov. Code, Section 6250 et seq.), and conflict of interest laws, including without limitation, the Political Reform Act (Gov. Code, Section 87100) and Government Code Section 1090 et seq. except as would prevent employees from holding a position on the Board of Directors as described above. When acting on an employment contract where an *employee* board member has a financial conflict of interest, the Board shall comply with the Political Reform Act and the Corporations Code in proceeding.

INSPIRE 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. Section 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. Section 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 CUSD about any aspect of the operation of INSPIRE or about INSPIRE shall be forwarded by CUSD to INSPIRE within 3 business days of receipt. CUSD may request that INSPIRE inform CUSD of how such concerns or complaints are being addressed, and INSPIRE shall provide such information subject to attorney client privilege. INSPIRE 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

Direct costs associated with CUSD provided Administrative Services listed in Section E below are the sole responsibility of INSPIRE. Support costs associated with said Administrative Services shall be charged by CUSD to INSPIRE through the Standardized Account Code Structure (SACS) Allocation of Costs methodology. Applicable allocation costs include: Maintenance and Operations, Library/Media/Technology, Pupil Support Services, and Special Education Transportation, if applicable. INSPIRE has chosen not to use Home-to-School Transportation Services.

1. Oversight Obligations: CUSD 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 INSPIRE and CUSD.
 - b. Monitoring performance and compliance with the Charter and with applicable laws, including, without limitation, by way of the following:
 - Visiting INSPIRE at least once per year;
 - Observing instruction on a periodic basis as determined by CUSD;

- Working with district personnel to ensure that INSPIRE submits the reports and documents identified in subsection D (1) to D(10) below;
- Monitoring the fiscal condition of INSPIRE;
- Notifying the State of California upon the occurrence of any of the events described in Education Code Section 47604.32(e).

INSPIRE shall promptly respond to all reasonable inquiries of CUSD, 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 INSPIRE's operations, including document requests, hearings, notices, and investigations, and monitoring efforts to remedy operational problems identified by CUSD.
- d. For purposes of fiscal oversight and monitoring by CUSD, CUSD requires INSPIRE to provide information and documentation related to its operations. CUSD annually prepares its due dates for INSPIRE Financial and Attendance Reports ("Reports"). INSPIRE shall provide all information and documentation in the form and at the times specified in the Reports. Whether included in the Report or not, INSPIRE shall provide CUSD with a copy of the following documents, data and reports, in the form and at the times specified. Since CUSD will provide much of the data listed below as part of Administrative Services outlined in Section E, INSPIRE will provide the necessary applicable information in a timely manner to CUSD in order for CUSD to prepare the reports and meet their deadlines accordingly.

(1) Student Data

INSPIRE shall submit student enrollment projections to CUSD each year by March 19 of the preceding school year. During the school year, monthly enrollment and ADA reports with respect to INSPIRE will be available to CUSD, as both CUSD and INSPIRE will share the same Student Information System. INSPIRE shall annually provide CUSD 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.

INSPIRE shall maintain contemporaneous written records of enrollment and ADA and those records will be available to CUSD. Inspire will develop the P-1, P-2, and annual

state attendance reports and submit to the state by state deadlines each year. INSPIRE personnel will work with CUSD to provide all necessary information required to be submitted to CALPADS.

INSPIRE's student discipline policies shall be provided to CUSD annually, by September 1 of each year, and as updated.

(2) Personnel Data/Credential Data

Actual staffing data shall be provided to CUSD on an annual basis and prior to commencement of each school year. Teacher credentials, clearances, and permits shall be maintained on file at INSPIRE and may be subject to periodic inspection by CUSD. Copies of credentials and a list of teaching/class assignments for each teacher shall be provided to CUSD by INSPIRE 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 INSPIRE that credentialing requirements imposed on INSPIRE under NCLB have been met. INSPIRE shall also provide to CUSD at the commencement of each school year and no later than September 15, certification that all of its employees are in compliance with Education Code Section 44237 for INSPIRE employees.

(3) Annual Employment Audit

Inspire shall provide the following reports to CUSD no later than October 31 each year:

- (a) List of all employees verifying TB clearance.
- (b) List of certificated employees verifying credentials held, as well as the expiration date for each credential.
- (c) Certification by INSPIRE that all of its employees meet NCLB requirements.
- (d) Verification that all employees have submitted fingerprints, and prior to employment, were found eligible to work for a public school.
- (e) Master Schedule listing all teaching assignments.

(4) Budget/Financial Data

- (a) Budget Data:

As part of Administrative Services listed in Section E below, CUSD shall, for the terms of this agreement, prepare the following fiscal reports consistent with Education Code 47604.33 (a) 1-4. A preliminary budget due on June 30; a first interim report, due on December 15, covering operations through October 31; a second interim report, due on March 15, covering operations through January 31; unaudited actuals, due on September 15, covering the period July 1 - June 30. INSPIRE 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. INSPIRE 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. INSPIRE shall make every effort to comply fully with Education Code Section 47604.33. Reports identified in Education Code Section 47604.33 will be incorporated with CUSD data using the SACS format

(b) 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 INSPIRE, unless emergency circumstances arise, and financing documents shall be made available for CUSD review upon request.

(c) Loans

INSPIRE agrees that it shall establish a fiscal plan for repayment of any loans received by INSPIRE in advance of approving receipt of such loans. It is agreed that all loans sought by INSPIRE shall be authorized in advance by INSPIRE and shall be the sole responsibility of INSPIRE. INSPIRE agrees that CUSD shall have no obligation for repayment. INSPIRE shall provide advance written notice with details of terms and repayment plan to CUSD specifying its intent to apply for/seek a loan. INSPIRE shall also provide to CUSD 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.

(5) Governance Data/Meeting Information

Copies of agendas for meetings of INSPIRE Board of Directors shall be posted at the INSPIRE facility at the time they are distributed to the public pursuant to the Brown Act. INSPIRE shall provide CUSD 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 CUSD from each meeting upon approval of same.

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

(6) Personnel Policies

INSPIRE will use personnel and payroll policies and procedures of CUSD. Any said policy or procedure which is different from CUSD shall be contained in the INSPIRE Employee Handbook and shall be provided to CUSD upon commencement of the first school year and annually thereafter by September 1.

(7) Risk Management Data

INSPIRE shall establish and institute risk management policies and practices to address reasonably foreseeable occurrences. Inspire shall participate in all CUSD safety trainings.

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 INSPIRE Designated Safety Officer and establish that the following are in place:

- (a) Injury illness prevention plan
- (b) Bloodborne Pathogen training
- (c) Hazard Communication program
- (d) Emergency Plan
- (e) Documentation of Employee Safety Training
Annual Safety Inspections

(8) Programmatic/Performance Audit

INSPIRE will prepare an annual performance report and shall provide all information necessary to demonstrate that INSPIRE 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 INSPIRE's admissions practices during the year and data regarding the number of students enrolled and the number on waiting lists; analysis of the effectiveness of INSPIRE's internal and external dispute mechanisms and data on the number and resolution of disputes and complaints. The performance audit shall be provided to CUSD by October 1 of each year.

(9) Instructional Materials

INSPIRE 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.

(10) Other

INSPIRE shall provide such other documents, data and reports as may be reasonably requested or required by CUSD.

- e. Data required to be submitted pursuant to this Section shall be submitted in electronic form if requested by CUSD.
- f. INSPIRE shall comply with Generally Accepted Accounting Principles (GAAP) applicable to public school finance and fiscal management. INSPIRE shall maintain a minimum reserve for economic uncertainties (designated fund balance) in an amount of \$25,000 at each reporting cycle identified in Education Code Section 47604.33. Beginning with the 2011-2012 fiscal year, the minimum reserve shall be \$25,000 or 3% of budgeted expenditures, whichever is greater.

- E. Fees. By mutual agreement CUSD and INSPIRE agree that, in return for providing many services and retaining ties with CUSD, INSPIRE will pay for said services via the SACS Allocation of Costs methodology discussed in Section D,

Fiscal Relationship above, and as delineated in Attachment B. In addition, INSPIRE agrees to pay the State-approved Indirect Costs rate pertaining to CUSD for providing the Business Services listed below:

Administrative Services. In exchange for the previously mentioned fees to be paid CUSD, CUSD will be responsible for providing many administrative services to INSPIRE. Those services include but are not limited to the following:

Business Services (i.e., attendance accounting, payroll, purchasing, information technology, Computer for Classrooms, warehouse, budgeting, etc.)

Student Services (i.e., counseling, psychological, nursing, etc.)

Maintenance/Operations/and Facilities Services (i.e., custodial, maintenance, grounds, field trips, facilities, construction, etc.)

Special Education Transportation Services if applicable

Technology Services (internet, e-mail, SASI / Aeries, etc.)

Nutrition Services – CUSD agrees to provide Nutrition Services (cafeteria) for students and staff. This includes planning, organizing and directing overall Nutrition Service operations including marketing, preparation of nutrient-based menus, purchasing and accounting functions. CUSD will prepare and file the necessary State and Federal reports and process applications for Free/Reduced-Priced meals. INSPIRE will provide lunch applications and communication for verifications.

F. 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, INSPIRE 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

INSPIRE 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. INSPIRE shall make any necessary referrals of students who are believed to be eligible for special education and related services. INSPIRE 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 INSPIRE staff when selecting and conducting assessments.

4. Section 504 Services

INSPIRE agrees to implement a Student Study Team, a regular education function, to monitor and guide referrals for Section 504 Services. INSPIRE 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 INSPIRE.

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 INSPIRE. The plan shall be developed collaboratively with an effort to respect the school's instructional design, mission and charter, and INSPIRE shall make available any necessary staff to facilitate the IEP process. CUSD shall provide advance notice to INSPIRE 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. The District's Director of Educational Services, or designee, will be invited to attend all IEPs and INSPIRE and will serve as the Administrator of Record unless this is designated by the DES to the INSPIRE 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 INSPIRE's instructional philosophy, mission, charter and program.

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. INSPIRE shall cooperate fully with the delivery of such services, which shall, to the maximum extent feasible within the law, be consistent with INSPIRE's instructional philosophy, mission, charter, and operational policies.

CUSD will be allocated all special education funds that are generated by INSPIRE students. CUSD will be responsible for all of the financial costs of services and responsible for the delivery of special education services described herein, including any and all costs associated with a due process or judicial proceeding. Should the interests of CUSD and INSPIRE diverge during any due process or judicial proceeding, INSPIRE may, at its sole discretion, request separate counsel.

8. Uniform Complaint Resolution

CUSD shall, in consultation with INSPIRE, implement all aspects of a uniform complaint procedure for special education. INSPIRE 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 INSPIRE in good faith at all SELPA governance meetings and related activities. INSPIRE shall be able to participate in SELPA activities as needed and on a basis comparable with other CUSD schools. CUSD shall notify INSPIRE 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. INSPIRE shall agree to pay CUSD its share of 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 INSPIRE 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 INSPIRE all needed and appropriate personnel for special education services at no additional charge than the premium previously set forth. To ensure that service delivery for special education services is aligned with the instructional program, mission and charter of INSPIRE, CUSD will inform all CUSD staff assigned to INSPIRE of the charter and mission of INSPIRE.

INSPIRE also reserves the right to request the reassignment of any member of CUSD's special education staff assigned to INSPIRE if the INSPIRE 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 INSPIRE Principal shall be the same process used by other principals of CUSD, in accordance with collective bargaining agreements. Progressive discipline will be employed and the INSPIRE Principal agrees to notify and meet with the CUSD DES to determine the best course of action for both CUSD and INSPIRE. In return, the CUSD DES agrees to notify the INSPIRE 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. INSPIRE will provide the CUSD employees with appropriate workspace and working conditions.

12. Payment for Services, Special Education Encroachment and Oversight Fees

INSPIRE and CUSD agree that monthly transfers will be made to CUSD with respect to Administrative Services and Indirect Cost charges as outlined in Sections D and E above.

Special Education Encroachment costs will be transferred quarterly to CUSD. Attachment A provides the formula by which each year's Special Education encroachment is calculated. It also provides the calculation, which determines the INSPIRE share of the annual encroachment. Encroachment will be calculated and billed in the budget year based on the prior year Estimated Actuals. One-quarter (1/4) of the annual amount calculated in Attachment A will be transferred to CUSD 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 transferred to CUSD during the preceding year will be deducted from the actual amount of the INSPIRE share to determine the net adjustment. The net amount will be added to or subtracted from the December quarterly transfer for the budget year.

INSPIRE and CUSD agree to use the Dispute Resolution Process outlined in the INSPIRE Charter to reach agreement over any contested charges if there are any. INSPIRE 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.

G. Insurance

1. General & Excess Liability

Inspire, 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 INSPIRE, it's elected or appointed officials, employees, agents, volunteers and students (interns while acting on behalf of INSPIRE) 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 CUSD, its elected or appointed officials, employees, agents and volunteers. The policy or policies shall provide that this insurance be primary with respect to any liability or claimed liability arising out of the performance or activities by INSPIRE under this Agreement or INSPIRE's use of the Premises, and that any insurance procured by CUSD, it's 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 INSPIRE, it's elected or appointed officials, employees, agents, volunteers or students.

2. Automobile Liability

INSPIRE 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 INSPIRE's activities under this Agreement.

3. Property Insurance

CUSD shall maintain, for the duration of this Agreement, all-risk real property coverage adequate to cover the replacement cost of all buildings on the Premises and those other facilities to which INSPIRE may have access under this Agreement. INSPIRE shall be solely responsible for obtaining adequate personal property or contents insurance for INSPIRE's personal property located on the Premises or elsewhere. In addition, INSPIRE is solely responsible for their building improvements. CUSD shall be solely responsible for obtaining adequate personal property or contents insurance for CUSD's personal property located on the Premises or elsewhere.

4. Workers' Compensation

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

5. Proof of Insurance

INSPIRE 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 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.

H. Human Resources Management

1. All certificated and credentialed staff working at INSPIRE are employees of INSPIRE, except as set forth in Section F ("Special Education"). INSPIRE shall have sole responsibility for employment, management, salary, benefits, dismissal and discipline of its employees. However, as provider of INSPIRE's business services, CUSD will process and send paychecks to employees.
2. INSPIRE will be considered the public school employer pursuant to the Educational Employment Relations Act.
3. INSPIRE 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.

I. Educational Program

1. Subject to CUSD 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, INSPIRE is autonomous for the purposes of, among other things, deciding INSPIRE's educational program with the understanding that the educational program shall comply with the Charter.
2. INSPIRE's calendar and daily agenda shall be submitted annually to CUSD for review and verification of compliance with instructional day and minutes requirements. Any calendar changes will be provided to CUSD by March 1 prior to the beginning of a new school year.

3. It is understood that INSPIRE shall meet or pursue the Adequate Yearly Progress (AYP) provisions and other applicable accountability provisions of Title I, Part A of NCLB.
- J. Facilities. INSPIRE shall comply with Education Code Section 47610 and 47610.5 by utilizing facilities that are compliant with the Field Act, facilities that are compliant with the State Building Code, or a facility that is exclusively owned or controlled by an entity that is not subject to the California Building Standards Code, including, but not limited to, the federal government. 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. INSPIRE 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. INSPIRE shall conduct fire drills monthly and shall maintain records of such drills. INSPIRE shall not establish more than one site or facility without seeking material revision of its Charter document from CUSD's Board. As long as INSPIRE remains an indirect funded charter under the auspices of CUSD with an agreed upon, standardized percentage fee paid to CUSD, the district will provide facilities to INSPIRE based on yearly enrollment projections and staffing ratios under the payment schedule set forth in section E of this Agreement. The parties will enter into a separate agreement for utilization of said facilities.
- K. Renewal. The parties recognize that once INSPIRE has been operating for four years, it will be required to meet at least one of the academic performance criteria set forth in Education Code Section 47607(b) as a condition for renewal unless this requirement is changed by the Legislature. Since the first renewal of the charter will be considered prior to INSPIRE being in operation for four years, INSPIRE and CUSD agree that if INSPIRE does not yet meet any of the criteria under Education Code Section 47607(b) that student test scores, attendance rates and other measureable pupil outcomes identified in the charter will be reviewed and considered material factors in determining CUSD staff's recommendation regarding renewal. If INSPIRE 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.
- L. Response to Requests. Pursuant to Education Code Section 47604.3, INSPIRE shall respond promptly to all reasonable written requests of CUSD.
- M. Legal Counsel. INSPIRE shall retain the right to use its own legal counsel and will be responsible for procuring such counsel and associated costs.
- N. Enrollment of Expelled Students. Neither INSPIRE nor CUSD 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.

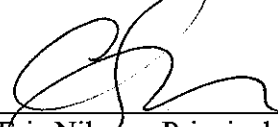
- O. Provision of Documents. With both parties understanding that some state, federal and county documents directed toward INSPIRE may be mailed to CUSD, CUSD agrees to pass on such documents and forms to INSPIRE in a timely manner, so it may complete its legal obligations. INSPIRE has full responsibility for the forms and documents it receives directly and those which it must access on the internet on its own.
- P. 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 INSPIRE with any 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 CUSD pursuant to applicable provisions of the Education Code.
- Q. 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.
- R. Reimbursement of Mandated Costs. INSPIRE shall seek reimbursements of its mandated costs, if any, directly from the State.

This represents the full and final agreement between INSPIRE and CUSD and shall only be modified in writing by the mutual agreement of the parties.

Dated: _____

John Bohannon, Director, Alternative Education
Chico Unified School District

Dated: 1.11.12


Eric Nilsson, Principal
Inspire School of the Arts and Sciences