

WELD COUNTY SCHOOL DISTRICT RE-3J

and

CARDINAL COMMUNITY ACADEMY

CHARTER SCHOOL RENEWAL CONTRACT

JULY 1, 2005

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CHARTER SCHOOL RENEWAL CONTRACT

THIS CHARTER SCHOOL RENEWAL CONTRACT (the "Renewal Contract"), dated this ____ day of August, 2005, nunc pro tunc to July 1, 2005, is made and entered by and between WELD COUNTY SCHOOL DISTRICT RE-3J (the "District") and CARDINAL COMMUNITY ACADEMY ("CCA"), a Colorado not-for-profit corporation, whose business address is 3101 Weld County Road 65, Keenesburg, Colorado 80643-8604.

RECITALS

WHEREAS, on September 1, 1999, the District and CCA entered into a Charter School Contract (the "Contract") for a term through June 30, 2005 for the operation of CCA as a charter school pursuant to the Charter Schools Act, C.R.S. §§ 22-30.5-101 et seq. (the "Act"); and

WHEREAS, CCA submitted a renewal application to the District on or about October 27, 2004 (the "Renewal Application"), and requested, among other things, that its charter with the District be extended for a term of at least twenty (20) years;

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual understandings, releases, covenants, and payments described herein, the parties agree as follows:

AGREEMENT

1. TERM

This Renewal Contract shall be effective July 1, 2005, and shall continue through June 30, 2025, except as otherwise provided herein. Any financial commitment on the part of the District contained in this Renewal Contract is subject to annual appropriation by the District's Board of Education (the "District Board"). The parties agree that the District has no obligation to fund the financial obligations under this Renewal Contract other than for the 2005-06 fiscal year, and that the District has not irrevocably pledged and held for payment sufficient cash reserves for funding CCA or for providing services described herein for any subsequent fiscal year during the remaining term of the Renewal Contract. The District's obligation to fund CCA shall terminate upon nonappropriation of funds for that purpose by the Board for any fiscal year, any provision of this Renewal Contract to the contrary notwithstanding.

Notwithstanding the twenty year term provided in this Section 1, the parties agree that CCA's ongoing operation shall be contingent upon its compliance with applicable laws and this Renewal Contract, including but not limited to CCA's satisfaction of the criteria set forth in Section 4(G) in those reviews to be completed on an annual basis and upon five year intervals pursuant to Section 4(H).

2. MISSION STATEMENT

The statements contained in the Mission Statement Section of the Renewal Application are accepted by the District to the extent they are consistent with the principles of the General

Assembly's declared purposes for enacting the Act as set forth in C.R.S. § 22-30.5-102(2) and (3). The Renewal Application is attached hereto as Exhibit A. The mission statement may be modified from time to time by CCA with prior approval of the District Board.

3. COMMUNITY SUPPORT

The District Board finds that sufficient community support for the continued operation of CCA as a charter school exists at this time.

4. EDUCATIONAL PROGRAM, CONTENT STANDARDS, AND ACCOUNTABILITY

CCA shall serve students in grades kindergarten through seven for the 2005-06 school year. CCA may expand its program to grade eight and/or to include preschool beginning in 2006-07 or such later time as CCA determines, provided CCA remains in compliance with this Renewal Contract. CCA shall provide notice of its intent to add eighth grade and/or preschool by April 1 of the school year preceding the year in which such grade will be added. Other than as provided in this paragraph, CCA shall not expand its grade levels served, except as subsequently approved by the Board in its discretion. The goals, objectives, and pupil performance standards for serving such students as set forth in the Renewal Application are accepted by the District, as amended by this Renewal Contract. CCA shall teach to the State content standards and shall provide curriculum and instruction that offer students the opportunity to meet or exceed those standards.

A. Curriculum. CCA's current curriculum, as set forth in its Renewal Application, is hereby approved, subject to the implementation by CCA of its instructional programs as outlined in said Renewal Application, as those may be amended herein, and subject to any amendments as may be required by applicable District policies.

1. CCA's courses shall meet or exceed the content standards of the State as evidenced by performance on assessments agreed upon by the parties under Section 4(B). CCA may assess student mastery of the content standards by means of individualized pre- and post-assessments for students each year, but these shall be in addition to, and not in replacement of, the assessments conducted pursuant to Section 4(B).

2. CCA shall have the authority and responsibility for refining the design and implementation of its educational program, subject to the conditions of this Renewal Contract, in a manner that is consistent with state law. On or before April 1 of each year CCA will provide to the District's Superintendent information about any substantially modified curriculum or program delivery systems proposed to be offered during the ensuing school year.

3. CCA agrees to comply with all state statutory requirements concerning subjects of instruction, unless specifically waived by the State Board of Education, including, without limitation, instruction in the areas of state and federal history and civil government, C.R.S. § 22-1-104; honor and use of the United States flag, C.R.S. § 22-1-

106; the federal Constitution, C.R.S. § 22-1-108; and the effect of use of alcohol and controlled substances, C.R.S. § 22-1-110.

B. Standardized Achievement Tests.

1. The parties share a commitment to maximizing student achievement for all pupils attending schools within the District. In order to measure progress in achieving this end, CCA shall administer the same standardized tests as those utilized in the District within the same time frame as the District's. The parties currently administer the CSAP and Terra Nova assessments. CCA shall make all reasonable efforts to communicate the importance of student participation in CSAP and Terra Nova to parents and students with the goal of obtaining 100 percent annual participation of all eligible students in these examinations.

2. Beginning with the 2007-08 school year and in subsequent school years, either party shall give the other no less than one year's prior written notice in the event it desires additions to or changes in norm-referenced tests to be administered in both CCA and the District. The notice shall serve as an invitation for representatives of both CCA and the District to collaborate in evaluating testing instruments and identifying instruments which are cost-effective, meet the educational objectives of both CCA and the District, and provide an objective basis for ensuring that educational services provided are resulting in growth for all students enrolled in the District. The parties recognize that the assessments provide the best comparative data when they are administered to students in different schools at the same time and at the same grade levels, and so the parties shall collaborate to identify appropriate testing windows for test administration. In the event this collaborative effort is unsuccessful, the District shall have final authority to select any norm-referenced test and the appropriate testing window which will apply to both CCA and the other District schools. Student scores at CCA will be included in District-wide results compiled and reported by the District. If the District does not administer a norm-referenced achievement test in any school year, CCA may choose an instrument that is reliable and valid for measuring student performance in the areas of reading, writing, and mathematics.

C. Student Attendance, Conduct and Discipline. Unless and until waivers are approved as provided in this Renewal Contract, CCA shall comply with all District policies and procedures and the requirements of state and federal law concerning student attendance and discipline.

1. CCA agrees to comply with the terms of the Colorado School Attendance Law, C.R.S. § 22-33-101 et seq., including but not limited to provisions related to required hours of planned teacher-student instruction and contact and the distinction required between excused and unexcused absences.

2. CCA shall ensure that student conduct and discipline policies and procedures, including but not limited to the grounds and procedures for suspending and expelling a student, are in compliance with law and District policy and provide students

such due process rights as are required. For purposes of implementing these procedures, CCA shall designate employees to carry out the responsibilities of the principal and superintendent under Article 33 of Title 22 C.R.S.

3. Notwithstanding the provisions of subparagraph 2, CCA may implement standards of conduct that are more stringent than District standards.

4. Students expelled from CCA may appeal to the CCA Board within 10 calendar days following CCA's action to expel the student. If a student is expelled from CCA, the student shall be considered to be expelled from the District unless the student submits the matter to the District's Superintendent (or designee) for review within ten days following the CCA Board's decision. If the District's Superintendent or designee elects to adopt CCA's decision and expel the student from other District schools, the student may appeal the decision to the District Board within ten days following the decision of the District's Superintendent. CCA shall include such statements in its student handbook and/or discipline policies distributed to its students. CCA shall identify and pay for an alternative educational program which meets the requirements of Colorado law for any student expelled from CCA.

D. Student Welfare and Safety. CCA shall comply with all District policies and regulations (unless specifically waived) and shall comply with all applicable federal and state laws concerning student welfare, safety, and health, including, without limitation, District policies and laws addressing the reporting of child abuse, accident prevention and disaster response, the adoption and implementation of a Safe School Plan as required by C.R.S. § 22-32-109.1(2), and any state regulations governing the operation of school facilities.

E. Accountability and Accreditation.

1. CCA shall comply with the educational accountability provisions of Colorado law, as amended from time to time, including, without limitation, the Educational Accountability Act of 1971, C.R.S. §§ 22-7-101 et seq., the Educational Reform Act, C.R.S. § 22-7-401 et seq., CCA Accountability Reporting Act, C.R.S. § 22-7-601 et seq., the Educational Accreditation Act of 1998, C.R.S. §§ 22-11-101 et seq., the State Board of Education's Accreditation Rules, 1 CCR 301-1, and the terms of any Accreditation Contract between the District and the State Board of Education, as such may be amended from time to time. CCA's assessment program shall meet or exceed the assessment requirements of the Colorado Basic Literacy Act, C.R.S. §§ 22-7-501 et seq. CCA shall be accountable to the District and shall be subject to Colorado law, regulations of the State Board of Education and the Colorado Department of Education, and all District policies and regulations unless specifically waived and identified in Exhibit B.

2. The District shall invite CCA to send representatives to meetings held by the District to review and evaluate changes in the content standards and to meetings conducted by the District Accountability Committee to review the progress of CCA and the District in achieving their goals and objectives. CCA will cooperate with the

District's Accountability Committee in providing documentation and data concerning school operations, performance, and other such issues.

3. On or before November 1 of each year, CCA shall submit to the District an annual report on CCA's operations during the preceding school year and shall include quantitative data on student progress; information on progress made by CCA in reaching its educational goals and objectives, including relevant anecdotal information; survey or other parent satisfaction data; and assessment of the effectiveness of CCA's policies and procedures. The District shall incorporate this data into the accountability report for the District as a whole which is due in December of each year.

4. If CCA is placed on an academic watch or requires technical assistance per the accountability and accreditation laws, CCA shall pay the costs incurred by the District or third parties in providing assistance to CCA as a direct cost consistent with the Charter Schools Act.

F. No Child Left Behind Act. CCA agrees and understands that it has a duty to comply with the applicable requirements of the No Child Left Behind Act, 20 U.S.C. § 6301 et seq. and implementing regulations, including those provisions concerning the qualifications for teachers and instructional staff.

G. Annual Compliance Review. On or before December 1, 2006, and each December 1 thereafter, the District's Superintendent shall prepare a monitoring report for the District's Board (with a copy to the CCA Board) concerning CCA's compliance with the material terms and provisions of this Renewal Contract during the preceding fiscal year, including but not limited to the following provisions:

- CCA's curriculum teaches to the State's content standards (Section 4)
- CCA's rate of student participation and level of proficiency/performance upon CSAP (Section 4(B)) has met or exceeded the levels at other schools of the District
- CCA's rate of student participation and level of proficiency/performance upon Terra Nova assessments (Section 4(B)(2) and 4(C)) has met or exceeded the levels of other schools of the District
- CCA has submitted a complete report on or before November 1 regarding its operations during the preceding school year as provided in Section 4(F)(3) and such report provides evidence that CCA is making reasonable progress in achieving its goals and objectives as set forth in its Renewal Application
- CCA has maintained a satisfactory status under the accreditation laws, is making adequate yearly progress in meeting the standards established through such laws, and has avoided any classification (e.g., academic watch or

probation) which poses a risk that CCA could be reorganized or placed on a corrective action plan mandated by state law.

- CCA's compliance with the finance and accounting provisions of the Renewal Contract including timely submittal of preliminary, final, and revised budgets (Section 7(B)); reporting of financial information in CDE's chart of accounts format (Section 7(C)); and completion of the annual independent financial audit without findings of noncompliance with generally accepted accounting principles and standards of fiscal management;
- The nature and status of any claims, charges, or lawsuits brought against CCA or any of its employees in connection with CCA's operations (Section 12(B))
- The payment status for any services provided by the District to CCA during the preceding school year
- Any issues in controversy between the parties or of concern to the Superintendent

CCA shall provide all documentation and information reasonably requested by the Superintendent in order to prepare this report.

H. Comprehensive Five Year Review. On or before June 30, 2010 and every five years thereafter, CCA shall submit to a comprehensive review of its operations. Such review shall include analysis of the CCA's annual reports on operations during the five year period; a report by the District Accountability Committee for the same period; and a comprehensive external review of CCA's governance and operations, including a comparison of CCA's strengths and weaknesses with other Colorado charter schools of similar size and with similar programming. The parties shall collaborate in selecting the persons or agency to conduct the external review, provided that in the event the parties are unable to agree, CCA shall select, or cause an external agency to select, a team of 3-5 persons to conduct the review.

5. ENROLLMENT AND SERVICE OF SPECIAL STUDENT POPULATIONS

A. Nonreligious, Nonsectarian Status. The educational program and operation of CCA shall be in all respects nonreligious and nonsectarian. CCA shall not be affiliated with any nonpublic sectarian school or religious organization.

B. Nondiscrimination. CCA's education program shall not discriminate against any student on the basis of race, creed, color, national origin, sex, marital status, religion, ancestry, disability, or any other status prohibited by law or District policy.

C. Enrollment.

1. District Residents. Enrollment shall be open to any child who resides within the District, subject to compliance with District policy and this Renewal Contract.

CCA shall not deny any student from enrolling at CCA, or from continuing enrollment at CCA, based upon the student's record of academic performance, lack of proficiency in English, status as an "at-risk" pupil under state law, disability status, gifted and talented designation or similar factors, and CCA agrees that it shall provide programming to meet the needs of all such students.

2. Admission. Students may be admitted and enrolled provided that the child will be five years of age on or before June 1 prior to the fiscal year of enrollment. The Kindergarten Early Admission Petition procedure of the District shall also apply at CCA.

3. Intra-District Choice. The parties recognize that the District has elected to permit, notwithstanding the provisions of the Public Schools of Choice Act, C.R.S. § 22-36-101 et seq., transfer requests from District resident students who were enrolled within either school on or before the statutory count deadline and who desire to transfer to CCA or to another District school after the statutory count deadline during the same school year. CCA shall be required to admit resident students who submit applications for enrollment after October 1 of any year provided CCA has adequate staff and space to serve such students.

4. Enrollment Limits. CCA's enrollment for the 2005-06 school year shall not exceed 165 full time equivalent students ("FTE") for which funding may be received pursuant to state law in grades kindergarten through seven and shall not exceed 187 funded pupils in the 2006-07 and subsequent fiscal years of this Renewal Contract provided that CCA has added grade eight to its programming. The parties agree that the current facility's capacity is 220 students, of which 33 FTE, if used, would be for kindergarten and preschool students, who are unfunded or partially funded under current law, and that CCA shall not enroll pupils (nor request payment from the District) in excess of such numbers stated herein at the current facility. In the event the District Board hereafter approves new or expanded facilities for CCA pursuant to Section 8(K), CCA's enrollment shall be increased as appropriate.

5. Accurate Reporting.

(a) CCA shall be responsible for reporting the accurate number of students enrolled at CCA and eligible for per pupil funding under state law and regulations promulgated by the Colorado Department of Education. In the event an enrollment audit conducted by the Colorado Department of Education finds that CCA has improperly included any student within its funded pupil count, CCA shall reimburse the District within 30 days, from the date of the District's receipt of CDE's invoice to the District, for 100 percent of the per pupil funding required to be paid by the District to CDE for such students.

(b) In the event CDE finds that CCA has improperly included any student within its funded pupil count, CCA shall hold the District harmless from any loss of PPR related to CCA's improper October 1 count. CCA shall not pay

such costs in the event CDE concludes that CCA's count was accurate and complied with applicable laws and regulations.

D. Education of Students with Disabilities.

1. Compliance Requirements. CCA agrees to comply with all District policies and regulations and the requirements of federal and state law concerning the education of children with disabilities. CCA shall also be responsible for compliance with Section 504 of the Rehabilitation Act of 1973 (§ 504) and the Americans with Disabilities Act (ADA) for all enrolled students. School personnel shall participate in developing an individualized education program ("IEP"), identifying and referring students for assessment of special education needs, maintaining records, and delivering appropriate regular education services (at CCA's sole cost) to students with disabilities consistent with the terms of their IEP or 504 plan. These regular education services shall include instruction by the classroom teacher and those supplies and services made generally available to all students.

2. Enrollment of District Resident Students. Following enrollment of a District resident student the parties shall determine whether the student has been identified as a child with disabilities. If so, the parties shall obtain a copy of the student's IEP. A properly constituted staffing team shall be convened to determine whether CCA is an appropriate placement for the student and, if so, what services are to be provided by CCA and what services will be provided by the District. Where a student's special education needs can be appropriately met by School staff, the student(s) needing such services will receive them, to the extent appropriate, from School staff at CCA facility. To the extent special education and related services are required pursuant to a student's IEP that cannot be provided by CCA, the student shall receive such services at CCA, unless the IEP requires some other arrangement, as provided in 34 C.F.R. § 300.552(c).

3. Nonresident Students. Prior to enrolling a nonresident student, CCA shall determine whether the student has been identified as a child with a disability. If so, CCA shall obtain a copy of the student's IEP and convene a properly constituted staffing team to determine whether the current IEP is the appropriate program and whether CCA is an appropriate placement for the student. If it is determined that CCA is an appropriate placement for the student, CCA shall negotiate a tuition agreement pursuant to C.R.S. § 22-20-109 et seq. with the district of residence for the excess cost of educating the child.

4. Delivery of Special Education Services. The District shall provide all special education and related services required by students who attend CCA, including transportation when it constitutes a related service on an IEP. CCA shall purchase special education services from the District at the District's cost as necessary to meet this requirement, including but not limited to services performed by District employees at their hourly rate of compensation (salary plus benefits) and reimbursement for the employees' travel expenses in accordance with District policies and procedures. CCA shall receive all state (ECEA) and federal (IDEA) funding received on behalf of students attending CCA.

4.5 Coordination Between District and School. In order to facilitate improved services on student IEPs, the parties agree that: (a) the CCA Board shall appoint one representative to serve on any hiring committee for a District special education teacher who will work, in part, at CCA; and (2) the CCA Director shall participate as a member who is aware of the resources or capacities of the CCA in all IEP meetings concerning special education students enrolled at CCA.

5. Defense of Claims. The District will defend any federal complaint or due process hearing request related to a student with disabilities in attendance at CCA. Within ten days after the receipt of any federal complaint or due process hearing request that includes allegations against CCA and/or the District, the parties will meet to explore opportunities to collaborate and to determine the course of action in providing a defense including, without limitation, the potential for a joint defense. The District, as the party principally responsible for fulfilling the terms of IEPs, shall be principally responsible for cost of defense of all special education matters and, accordingly, except as provided below, shall hold CCA harmless and indemnify CCA for all expenses and costs, including attorneys fees, related to any complaint, in any form, including without limitation due process, complaints to CDE, OCR or OSEP proceedings, and judicial proceedings, that there has been a failure to provide special education or related services listed on an IEP, or a failure to follow the terms and/or restrictions of an IEP or a placement decision made by an IEP team or by the Director of Special Education pursuant to state regulation, which is contested by a parent. The District's duty to hold the charter school harmless shall include, but not be limited to, any and all claims for compensatory education, compensatory or punitive damages, or costs of private or unilateral placement by parents, regardless of the form or theory of claim made seeking such remedy. In the event of a dispute regarding: (a) the services to be included in an IEP, including but not limited to disputes concerning appropriate placement of the child or the adequacy of services proposed for delivery in an IEP, or (b) the fulfillment of the responsibilities of regular education teachers or staff members employed by CCA as called for in an IEP; in no other cases whatsoever, and where CCA has been permitted the participation stated in Section 4.5, above, CCA agrees to be responsible for fifty percent (50%) of the cost of defense and the costs (if any) for changing the student's placement or providing services ordered by the decisionmaker. In any case in which CCA has responsibilities for defense or potential payment of such claims, it shall be entitled to good faith representation and shall be a full participant in making decisions regarding such defense, including any settlement decisions. If CCA is responsible for part of the cost of defense, the District shall provide copies of all invoices for attorney fees and expert costs to CCA, and payment by CCA shall be made within 90 days or such longer period as the parties then agree.

E. English Language Learners. CCA agrees to follow applicable state and federal laws and regulations concerning the identification of and delivery of appropriate educational services to students who are English Language Learners in order to enable them to acquire sufficient English language proficiency to participate in the mainstream English language instructional programs.

F. Tuition and Fees. Tuition may not be charged to students who reside in the District, other than reasonable tuition for preschool, before-school or after-school programs or an extended day kindergarten program administered by CCA and allowed by law. Student fees may be charged by CCA so long as they are in accordance with applicable Colorado law and regulations, including but not limited to the provisions of C.R.S. §§ 22-32-110(1)(o) and (p) and 22-32-117. CCA shall provide the District with a schedule of all proposed fees for the ensuing school year by August 1 of each year. CCA shall waive fees for indigent students in accordance with District policy and applicable federal and state law. CCA shall survey its student population for eligibility for free and reduced lunches under federal guidelines, in accordance with State Board of Education regulations, and shall submit the survey findings to the District on or before October 1 each year. CCA shall include a notice in its student handbook and on any fee lists and schedules concerning waiver of fees for indigent students and any procedures required for a student to receive a waiver.

G. Extracurricular Activities. Subject to the provisions of C.R.S. § 22-32-116.5 and this Renewal Contract, CCA's students who meet the prerequisites for participation may try out for nonacademic activities not offered at CCA but offered at other District schools. CCA and the student shall comply with all applicable rules of such school and the activity sponsor; all eligibility requirements; and all responsibilities and standards of conduct, including related classroom and practice requirements. Where such participation requires payment of a fee, the student or CCA shall be responsible for payment of the fee.

The District shall not be required to provide transportation of CCA's students to such schools for participation in extracurricular and athletic practices, rehearsals, and meetings or to otherwise expand transportation provided for such activities and events. CCA and/or parents of students enrolled in CCA shall be responsible for transportation for such activities for all students of CCA, including students with disabilities, as necessary for such participation. In the event the District provides transportation for an extracurricular group or athletic team to participate in a competition, students of CCA shall be provided District transportation from the same departure and return points as provided to the other District student participants in the activity. Students who attend other District schools may participate in extracurricular activities of CCA subject to the same requirements and conditions as apply to students of CCA. Nothing herein shall be construed to require modification by either party of any calendar or schedules for extracurricular programs.

6. MAINTENANCE OF RECORDS

A. General. CCA agrees to comply with all recordkeeping requirements as defined by policies or procedures adopted by the District Board and/or those established by federal or state law, and shall submit timely reports as necessary to meet the District's reporting obligations to the State Board of Education, Colorado Department of Education, and U.S. Department of Education. The District Board, its Superintendent, and their designees (whom the District has determined to have legitimate educational interests) shall have access to all records of CCA in the same manner as they would have access to the records of any other public school in the District, and copies of such records shall be provided to the District within three (3) business

days following request unless legitimate extenuating circumstances are documented by CCA in writing.

B. Student Records. CCA shall comply with all District policies and regulations and will be notified within ten business days following any newly-adopted District policies concerning the maintenance, retention, and disclosure of student records. CCA shall comply with all applicable federal and state laws concerning student records, including, without limitation, the Colorado Public Records Law, C.R.S. §§ 24-72-204 et seq., and the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. § 1232g. CCA's duty to maintain student records shall include, but not be limited to, the following specific types of records: immunization records, class schedules, records of academic performance, disciplinary actions, attendance and standardized test results, and documentation required under federal and state law regarding the education of students with disabilities.

C. Student Information and Financial Software.

1. CCA shall use the District's student information data processing system (Infinite Campus). CCA shall adhere to all system requirements and District directives with respect to use of such system, which shall include but not be limited to documentation of daily pupil attendance. CCA shall install and maintain such equipment and software necessary to use the system and shall pay its pro rata share of the software license fee (currently \$10 per student), as well a proportionate share of the cost of training CCA personnel. CCA reserves the power to direct what training, at what cost, its employees undertake.

2. The parties recognize that it may be periodically necessary to upgrade or replace the Infinite Campus system over the term of this Renewal Contract to the extent revised software is technologically available and appropriate for the needs of and the reporting requirements of the District. Before the District decides, for any reason, to upgrade or replace the Infinite Campus system, it agrees to involve CCA in discussions of identification of and transition to any new system and to take into account CCA's budgetary limitations in planning and implementing such a transition. In the event the District modifies or replaces the system during the term of this Renewal Contract, CCA shall transition to such system at the same time as other District schools and shall pay its own costs in transitioning to the new system.

3. Regularly maintaining student information through the District's information processing system shall be deemed to satisfy the requirement that such records be made available to the District, including the student discipline reporting requirement in Section 4(D)(5). CCA shall still comply with the reporting requirements in Section 4(D)(5) for student expulsions notwithstanding its regular maintenance of data through the Infinite Campus system.

7. ECONOMIC PLAN, BUDGET, AND ANNUAL AUDIT

The following provisions shall govern the parties' relationship.

A. Funding.

1. Per Pupil Funding. Subject to the other provisions of this Renewal Contract, the District shall provide funding for CCA during the term of this contract in an amount equal to 100 percent of the District per pupil revenues ("PPR"), as defined by C.R.S. § 22-30.5-112(2)(a.5)(II), for each funded full time equivalent pupil enrolled at CCA and for which funding is actually received by the District. The term "enrolled" as used in this Renewal Contract shall be deemed to mean enrolled as of the counting dates or periods and in accordance with the requirements of the Public School Finance Act of 1994, C.R.S. § 22-54-101 et seq. and Colorado Department of Education regulations. To the extent the District experiences any reduction in per pupil revenues during any school year by means of legislative rescission or other action, the District shall make a proportionate reduction to future monthly payments to CCA during the remainder of the fiscal year.

2. Central Administrative Overhead Costs. The District shall retain an amount estimated based on past experience not to exceed five percent (5%) from the PPR amount for each student enrolled in CCA from the monthly payments due to CCA as payment for central administrative overhead costs incurred by the District as defined by C.R.S. § 22-30.5-112(2)(a.5). On or before September 30 of each year, the District shall provide CCA with an itemized accounting of its actual central administrative overhead costs incurred within the current statutory definition of such costs during the previous fiscal year. These calculations shall be made consistent with the methodology described by Vody Herrmann, Colorado Department of Education Director of Public School Finance, in her June 30, 2003 letter to CCA Treasurer Danny Kipp and in Ms. Herrmann's July 17, 2003 memorandum to Rep. Keith King. Any difference between the amount initially charged to CCA and the actual costs for those specific central administrative services shall be reconciled and paid to the owed party by such date.

3. Additional District Support Services.

(a) The parties agree that the District provides services to CCA which are outside the definition of central administrative overhead costs as defined in C.R.S. § 22-30.5-112(2)(a.5). CCA agrees to pay the District the following annual amounts for the following services:

- \$3,500 for special education administration/special programs support services (not including actual costs incurred providing direct special education services for students under Section 5(D)(4))
- \$1,500 for curriculum and instruction services

The District shall not make deductions for these services from the monthly payments made to CCA, but instead shall include them in the reconciliation of actual costs to be completed by September 30 of each year. In no event may actual statutory administrative costs in Section 7(A)(2) and these stipulated payments for supplemental services in Section 7(A)(3) exceed five percent of per pupil revenues plus \$5,000.

(b) The parties acknowledge that the stipulated payments described in subsection (a) have been in place since July 1, 2002 and allow the efficient delivery of services without the burdens of maintaining more extensive records of services delivered. The parties desire to continue this methodology notwithstanding any statutory provision which may define or mandate a different methodology, and both parties agree that these stipulated payments do not result in CCA waiving or foregoing receipt of any operational funds as prohibited by C.R.S. § 22-30.5-105(5).

(c) These stipulated payments shall apply to the 2005-06 and 2006-07 school years. The parties shall meet on or before April 1, 2007 to determine if the rates should be recalculated or renegotiated, and any revision shall be reflected in a written addendum to this Agreement.

4. Funding Adjustments for Student Migration. The parties have agreed in Section 5(C)(3) to permit students to transfer between their school throughout CCA year, and agree that the party which included such student in its October 1 count shall be permitted to retain all per pupil revenues for the pupil notwithstanding such transfer. In the event both parties would be permitted to count the student because the student was enrolled in one building during the pre-October 1 count "window" and then enrolled in the other building during the post-October 1 "window," the location in which the student is enrolled during the second window shall be permitted to count the pupil and retain all per pupil revenues for the entire year.

5. Monthly Payments. The District will disburse per pupil revenue to CCA each school year in twelve equal monthly installments commencing on July 25, 2005, and such payments for the months of July, August, and September, each year shall initially be paid based upon documented enrollment at CCA at the conclusion of the previous school year. The payments for the months of October through June each year shall be made based upon CCA's actual funded pupil count on the October 1 count date. The October payment each year shall incorporate adjustments for the initial payments made in July, August, and September, so that these payments are made upon CCA's actual funded pupil count on the October 1 count date. All subsequent monthly disbursements during the term of this Renewal Contract shall be payable on the 25th day of each month, provided that CCA has complied with the procedures and requirements of this Renewal Contract, and shall include deductions for purchased services and direct costs for the benefit of CCA as provided in this Renewal Contract.

6. Mill Levy Override. The parties executed an agreement in September 2004 in which they agreed that CCA would receive a proportionate per pupil share of any supplemental revenues hereafter received by the District pursuant to the successful November 2004 "mill levy override election" conducted pursuant to C.R.S. § 22-54-108. The parties agree that CCA's receipt of revenues pursuant to any subsequent override election should be determined by the District Board in office at the time after consultation with the CCA Board and a review of the parties' respective needs and proposed uses of additional override funds. The District agrees to give good faith consideration to entering an agreement similar to the September 2004 agreement, but nothing herein shall be construed as a promise to remit to CCA any additional or supplemental revenues by means of a "mill levy override" or any other voter approved measure hereafter approved, and such funds shall not be paid to CCA absent an agreement executed in writing providing for such payment.

7. Deductions and Setoffs. The District shall have the right to offset against moneys otherwise allocable to CCA any amounts owed by CCA to the District, or owed or paid by the District to third parties on behalf of CCA, provided that such deductions and setoffs shall be subject to the procedures in Section 15(B). In addition, in the event that CCA fails or refuses to conduct its operation or otherwise perform in accordance with the requirements of federal and state law, the Renewal Application or this Renewal Contract after advance written notice from the Board and a reasonable opportunity to correct the deficiency or otherwise respond, the District may use its resources to correct the noncompliance or deficiency and charge the reasonable cost thereof against its monthly funding of CCA.

8. Categorical Aid and Grants. The District shall provide to CCA its proportionate per pupil share of federal (e.g., Title I funding, if CCA is eligible) and state (e.g., English Language Proficiency funding, as appropriate) categorical aid or grant funds received by the District based solely upon District enrollment, provided that CCA shall receive such funding only in the event it has appropriate documentation for such funding as reasonably requested by the District. Such reasonable requests may include, but shall not be limited to, a description of CCA's proposed use of the grant or entitlement; preparation of a budget for use of the funds; execution of any compliance agreement associated with the funding; preparation of documentation verifying that such funds were spent according to the funding plan and budget; and completion of any forms required by the federal, state, or granting agency for reimbursement. The District shall pay such funds to CCA within ten days following its receipt of the funds and CCA's completion of the foregoing conditions. CCA shall pay a pro rata share of any audit costs incurred in satisfying the audit requirements of any federal or state agency or third party grantor, and shall promptly repay any such agency or grantor for any expenditure disallowance.

9. Withholding for Untimely Reports. In the event CCA fails to submit complete and accurate reports or data to the District in the formats required and by the deadlines established in this Renewal Contract, CCA agrees to negotiate in good faith, at

that time, regarding costs incurred by the District as a result and future withholding of funds for any repetition of such conduct.

10. Other Revenues. Payments to CCA shall include only those revenue sources expressly identified in this Renewal Contract. CCA shall not receive any portion of any interest earnings received by the District on its general fund balance or from any other fund or account maintained by the District.

B. Budget and Accounting. On or before April 1 of each year, CCA will provide the District with its best estimate of the number of students it expects to serve during the next school year (including students in grades newly served, if any, as provided in ¶ 4, above). By May 1 of each year CCA must submit a budget for the next fiscal year which identifies revenues and expenses according to CDE's chart of accounts and in a format approved by the District. The annual budget shall include a detailed description of anticipated capital projects to be funded from the capital reserve fund. CCA shall also submit a revised budget, also in the format(s) requested by the District, by September 30 of each year. The budgets for CCA shall be reviewed and approved by the CCA Board prior to their submission to the District Board. If the budgets submitted by CCA do not comply with this Renewal Contract and state law, and if the District and CCA are unable to agree upon modifications to such proposed budget within 30 days after the District Board has received it or the applicable statutory deadlines for action on the budget, the District Board may approve CCA's budget with modifications reasonably necessary to make it comply with this Renewal Contract and such modified budget shall be the approved budget of CCA, subject to the process for dispute resolution stated in Section 16(H).

1. Mandatory Revenue Allocation. CCA's budget shall annually allocate the minimum per pupil dollar amount specified in C.R.S. § 22-54-105(2)(b), multiplied by the number of students enrolled in CCA, to a fund created by CCA for capital reserve purposes, as set forth in C.R.S. § 22-45-103(1)(c) and (1)(e), to a fund solely for the management of risk-related activities, as identified in C.R.S. § 24-10-115 and Article 13 of Title 29, C.R.S., or among such allowable funds. These monies shall be used solely for the purposes set forth in C.R.S. § 22-45-103(1)(c) and (1)(e) and may not be expended by CCA for any other purpose.

2. Separate Maintenance of Funds. All revenues budgeted and kept by CCA shall be maintained separately from all funds and revenues held for another charter school, private school, non-profit organization, or similar institution and shall not be transferred to or lent to any such institution. All funds received by CCA from the District pursuant to this Renewal Contract shall be spent for CCA's direct operations as identified in the approved budget for CCA.

3. TABOR Reserve. CCA shall retain a sum equal to no less than three percent (3%) of the total per pupil revenues received by CCA for enrolled students, with such retained revenues to be held by CCA for use for declared emergencies as provided in Colo. Const. Art. X, section 20(5). Such emergency reserve shall be adjusted annually to provide for the retention of an emergency reserve equal to three percent (3%) of CCA's budget for each year. In event the CCA Board declares an emergency within the

meaning of Colo. Const. Art. X, section 20(5) such that it expends some of the reserved funds, CCA shall restore the TABOR reserve to the full three percent in the next fiscal year's budget.

C. Financial Records. CCA agrees to establish, maintain, and retain appropriate financial records in accordance with all applicable federal, state, and local laws, rules, regulations, District policies and procedures, including but not limited to identification of all revenues and expenses in the Chart of Accounts format set forth in the Financial Policies and Procedures Manual published by the Colorado Department of Education. CCA shall make all of its financial records available to the District no later than three business days following a request by the District. For those services that the District agrees to perform for CCA under this Renewal Contract, the District will maintain and make available such records on the same terms.

D. Annual Audit. CCA agrees to cooperate in an independent, outside audit by a certified public accountant of its financial and administrative operations on an annual basis. CCA's audit shall be performed by the District's independent auditors in conjunction with the audit of the District itself. The standard costs associated with the audit of CCA, including but not limited to a separate detailed report by the District auditor addressing CCA's financial condition, shall be included within the payment described in Section 7(A)(2), except that any audit costs incurred because CCA has provided incomplete, untimely, or non-conforming data (e.g., data not in the form required by CDE's Chart of Accounts) shall result in costs to CCA in addition to those stated in Section 7(A)(2).

E. Monthly Reporting. On or before the 15th day of each month, CCA shall provide a written revenue and expenditure report concerning all financial activities of CCA during the preceding month, including the dollar amount and description of all accepted financial gifts, donations and grants. Notwithstanding the foregoing, CCA shall be subject to a review of its financial operations at any time by the District or a designee upon reasonable advance written notice.

8. GOVERNANCE AND OPERATION

A. Nonprofit Status. CCA shall be organized as a Colorado nonprofit corporation. The corporation will be bound by and operated in a manner consistent with the terms of this Renewal Contract. The purpose of the corporation as set forth in its articles of incorporation will be limited to the operation of a charter school pursuant to the Colorado Charter Schools Act, C.R.S. § 22-30.5-101, et seq.

B. Governance Structure. The articles and bylaws of the corporation will provide for the governance and operation of CCA. CCA shall comply with such articles and bylaws. The bylaws may be amended from time to time by CCA consistent with state and federal laws, the terms of this Renewal Contract, and District policies. CCA shall provide written notice to the District Board of amendment to the bylaws which impacts the governance structure of CCA.

C. Conflict of Interest. Members of the CCA Board, any administrators and managers, and other committees of CCA shall comply with state law and District policies and

regulations regarding ethics and conflict of interest, and shall recuse themselves from participating in any action in which they have a personal or financial interest consistent with such law.

D. Open Meetings Law. CCA acknowledges and agrees that it is subject to the provisions of the Colorado Open Meetings Law, C.R.S. §§ 24-6-401 et seq., and that it will comply with the provisions of such law in connection with all of its activities.

E. Operational Powers. Subject to the conditions and provisions of this Renewal Contract, CCA shall be fiscally responsible for its own operations, shall comply with generally accepted accounting principles and standards of fiscal management, and shall not expend funds in excess of funding provided by the District and other revenues received by CCA.

1. CCA shall have authority to exercise independently all powers that are proper to a Nonprofit Corporation under the Colorado Revised Nonprofit Corporations Act and all powers that are proper to a Charter School under the Colorado Charter Schools Act, and consistent with the restrictions of both Acts and this Renewal Contract, including but not limited to the following powers : prepare purchase orders for goods and services; prepare a proposed budget; lease or lease/purchase facilities for school purposes; select, supervise, evaluate, and determine the compensation for personnel; procure insurance; purchase, lease, or rent furniture, equipment, and supplies; retain fees collected from students in accordance with law; and accept and expend gifts, donations, or grants of any kind in accordance with such conditions prescribed by the donor as are consistent with law and not contrary to any of the terms of this Renewal Contract.

2. CCA shall not have authority to enter into a contract or subcontract for the management or administration of its core instructional program nor shall it employ a management group to provide for or assist in the management of CCA, absent express approval by the District Board, which approval may be granted or withheld in the District Board's discretion.

3. CCA shall provide the District with advance notice of any proposed new borrowing (i.e., debt first incurred on or after July 1, 2005) by CCA. Such borrowing shall be subject to District disapproval if and only if it (a) purports to extend the faith and credit of the District, in violation of ¶ 13(C), below, or (b) would otherwise be in violation of law.

4. In exercising its powers, CCA shall comply with all District policies, as they now exist or are hereafter amended, unless a specific waiver is obtained. All changes to District policies shall be provided to CCA upon adoption. CCA agrees to comply with future policies adopted or amended by the District unless CCA demonstrates to the District that the policy would materially interfere with essential elements of CCA's educational program or its operations as implemented pursuant to this Renewal Contract. In that case, the parties agree to negotiate in good faith to develop a waiver of such policy.

5. CCA shall provide the District, upon adoption, copies of all written policies or procedures adopted by the CCA Board. The District's receipt and/or approval (whether express or by implication) of such policies, procedures, practices, and documentation of its operations/ educational programs shall not be raised as a defense by CCA in honoring its insurance, indemnity, and other commitments to the District pursuant to this Renewal Contract.

6. CCA shall clearly indicate to vendors and other entities and individuals outside the District that the obligations of CCA under any agreement are solely the responsibility of CCA and are not the responsibility of the District. CCA shall include an express disclaimer in all contracts and purchase orders in excess of \$1,000 stating that any obligations under such agreement are solely its own and that the District shall have no obligation to make payments or cure any defaults thereunder.

7. CCA shall report all gifts, grants or donations of cash or property, having a reasonable value in excess of \$1,000 for the reporting period (e.g., monthly or annual) by recording the same in the financial records required under Section 7(C) above to the District. CCA shall report to the District within 30 days the acceptance of any such gift or donation and shall obtain the prior written approval of the District's Superintendent for acceptance of any grant and any gift or donation that would involve any condition or obligation on the part of the District. Grants and gifts to CCA and its fund raising activities shall be consistent with District policies unless a specific waiver has been obtained. All grants, gifts and donations made to CCA as a tax-exempt entity shall be disposed of by CCA upon its dissolution in a manner consistent with this Renewal Contract, governing tax law and regulations. However, no gift, donation, or grant shall be accepted by CCA if subject to any condition contrary to law or contrary to the Renewal Contract.

8. In a manner similar to other District schools and subject to the requirements of CDE's Financial Practices and Procedures manual, CCA shall be permitted to open, maintain, and administer an activity fund account.

9. Any petty cash or activity fund accounts maintained by CCA may be reviewed by the District on a periodic basis in the same manner as other schools' building funds are monitored by the District.

F. Waivers and Policy Amendments. The District has a group of policies referred to as "Board policies" and a set of policies referred to as "District Administrative policies." Both sets of policies, except as otherwise noted, are referred to as "District policies" throughout this Renewal Contract. CCA has been granted certain waivers from these District policies. Additionally, CCA has been granted waivers from state law by the State Board of Education. The policy and statutory waivers currently in place are listed in Exhibit B and incorporated herein. All such waivers, and any subsequent waivers approved in accordance with Section 8(H), shall remain in place only so long as the specific substituted policies and procedures which have been approved by the Board remain in place at CCA. CCA shall submit any proposed amendments to the substitute policies or procedures to the District's Superintendent for review

and prior approval. The District's Superintendent and the District Board shall respond within the deadlines set forth in Section 8(H), and the District Board's approval of proposed amendments shall not be unreasonably withheld. Waivers are neither necessary nor appropriate when a statute or rule, by its own terms, does not apply to a charter school, nor when a district power or duty has been fully delegated, as more specifically stated in this contract, to the School. The School is encouraged to seek waivers only if a statute or rule applies to the School and is inconsistent with the School's preferred policy.

G. Subsequent Waiver Requests. Waivers or variances from state law or District policy or procedure not listed in Exhibit B may be requested by CCA submitting such request, in writing, to the District's Superintendent. This request shall include the reasons why CCA is in need of or desires the waiver and the substitute School policies, if any, which will be adopted by CCA in the event the waiver is approved. The Superintendent shall have 15 school days to review the request and will thereafter present the matter to the District Board for first reading at its next regular meeting. The District Board shall have an additional 30 school days to consider the matter prior to rendering a decision on second reading at a regular meeting. Waivers or variances may be granted only to the extent, and in the manner, permitted by state law. District Board approval of a request to waive state law will be contingent upon approval of such waiver by the State Board of Education.

H. Waiver Rescission Requests. The District may request the withdrawal of waivers or variances from state law or District policy, whether listed in Exhibit B or granted hereafter, by submitting such request, in writing, to the Charter Director. This request shall include the reasons why the District desires to withdraw the waiver and identification of the policies or rules that will come into effect should the waiver be withdrawn. The Charter Director shall have 15 school days to review the request and will thereafter present the matter to the CCA Board for first reading at its next regular meeting. The CCA Board shall have an additional 30 school days to consider the matter prior to rendering a decision on second reading at a regular meeting. Upon approval by the CCA Board, the previous waiver or variance shall be withdrawn and of no further effect. The provisions of this paragraph shall not apply to any waiver rescissions by the District resulting from CCA's failure to comply with CCA's substituted policies or with applicable law. Such rescissions and proposed rescissions shall be addressed as provided in Section 15.

I. Bidding Requirements. Unless purchased from or through the District, contractual services (except professional services) and purchases of supplies, materials, and equipment shall be procured by CCA through the system of competitive bidding as required by District policy as it now exists or is hereafter amended. Such policy shall include provisions permitting purchase of items without competitive bidding in those cases in which the good or service is purchased from a limited local source.

J. School Facility. The location of CCA shall be the facility on the property at 3101 County Road 65, Keenesburg, Colorado. CCA may contract to purchase a facility, expand existing facilities (including the addition of modular and temporary buildings on site or any renovation which will increase the enrollment capacity of the facility), or construct new facilities only after complying with C.R.S. § 22-32-124(1.5), and demonstrating that the proposed facility

meets state requirements for public schools, including but not limited to compliance with code requirements adopted by the Division of Oil and Public Safety and issuance of a certificate of occupancy documenting same. CCA shall comply with all applicable statutory and regulatory requirements in the event it renovates existing improvements. CCA will not change the location of its facility without the advance approval of the District. CCA will not expand existing facilities nor construct new facilities if such actions would increase the enrollment capacity of the School, as defined in ¶ 4, above, without first providing notice and opportunity for review to the District. The District's review shall be restricted to whether CCA has provided reasonable evidence of demand for such increased capacity.

1. CCA will be responsible for the maintenance of any facilities owned or leased by it. The District will have access at all reasonable times to any facility owned, leased or utilized in any way by CCA for purposes of inspection and review of CCA's operations and to monitor CCA's compliance with the terms of this Renewal Contract. Except in case of an emergency affecting the safety or health of persons at CCA, all inspections or reviews shall be carried out upon reasonable notice to CCA's Director at a time that does not interfere with student instruction. If use by CCA of a facility is rendered impracticable by any cause whatsoever, or if the funds necessary to renovate or upgrade a facility cannot be secured by CCA, the District shall not be obligated to provide an alternative facility for use by CCA or to repair, renovate or upgrade the facility.

2. CCA may use District facilities for activities and events pursuant to District policies and procedures covering use of District facilities, as such may be amended from time to time by the District, provided that such use will not interfere with other events or activities sponsored by the District. CCA shall be subject to any use fees, if any, as applied to District-based-or-sponsored groups and organizations.

9. COLLABORATION BETWEEN DISTRICT AND SCHOOL

The parties pledge to collaborate in good faith through two-way communication and mutual respect in an effort to informally and amicably resolve any issues that may hereafter arise between them. To promote their common goals of addressing the educational needs of all students within the District, the parties agree not to disparage (or cause third parties to disparage) educational programs offered by either. They acknowledge that they are cooperatively involved in making a reasonable continuum of educational services available for students of the District. Toward this end, the parties agree that if a student should withdraw from CCA or another school of the District, they will cooperate in the potential integration of the student back into another program as may be appropriate to the student's needs. Further, CCA shall be entitled to offer a monthly column to be included in the District newsletter.

10. EMPLOYMENT MATTERS

The following provisions concerning employment matters (subject to the other provisions of this Renewal Contract) shall apply and shall control over any contrary term or provision in the Renewal Application:

A. Hiring of Personnel. The District agrees that CCA may select its personnel directly without prior authorization from the District Board, subject to compliance with this section and all federal and state rules and regulations, including, without limitation, requirements concerning the recruitment of applicants and the use of background and criminal checks except as may be waived by the State Board. CCA may terminate the employment of any personnel so long as such employees are not terminated for reasons prohibited by law. CCA will inform the District of any separation of an administrative employee and whether the separation is voluntary or involuntary within 10 days of such action.

B. Highly Qualified Status and Licensure. All CCA teachers shall be highly qualified within the meaning of the No Child Left Behind Act. All full-time staff shall be certified. The director shall have and maintain a valid current principal or administrator license at all times while employed by CCA. The District will make its alternative licensing program available for the use of CCA, at cost to the teacher using the program, or to CCA.

C. Employee Compensation, Evaluation and Discipline. CCA's governing body shall be independently responsible for the compensation, supervision and evaluation of the staff employed by CCA. CCA has adopted written policies, heretofore submitted to and reviewed by the District, in compliance with federal and state law concerning the recruitment, compensation, promotion, discipline and termination of personnel; methods for evaluating performance; and a plan for resolving employee-related problems, including complaint and grievance procedures.

D. No Employee or Agency Relationship. Neither CCA nor its employees, agents, or contractors are employees or agents of the District; and neither the District nor its employees, agents, or contractors are employees or agents of CCA. CCA shall include such language in employee handbooks, notices of assignment, and employment agreements distributed to its employees.

E. Employee Misconduct. CCA shall notify the District within 24 hours and shall notify other appropriate authorities in accordance with law in event of employee misconduct or behavior that requires or has in fact resulted in a report to social services or to law enforcement officials. The notice shall also indicate those measures being implemented by CCA to address the alleged misconduct, mitigate harm to affected parties, and reduce the likelihood of similar allegations in the future.

F. Benefits. CCA will have the right to determine the benefits it will provide to its employees and shall be solely responsible for contracting and paying for the same.

G. PERA Membership. Employees of CCA shall be members of the Public Employees' Retirement Association ("PERA") and their compensation shall be subject to

withholding for employer and employee contributions in the amounts required by law. CCA shall obtain its own PERA Group Number and shall be solely responsible for payment of the employer contribution to PERA. The monthly financial reports submitted by CCA to the District shall include documentation of the amount owed to and paid to PERA in such month.

H. Equal Opportunity Employer. CCA affirms that, consistent with applicable law and District policies, it shall not discriminate against any employee on the basis of race, creed, color, national origin, sex, marital status, religion, age, ancestry, or disability in its recruitment, selection, training, utilization, termination, or other employment-related activities.

I. Employee Welfare, Safety, and Training. CCA shall comply with all District policies, and applicable federal and state laws, concerning employee welfare, safety, and health issues, including, without limitation, the requirements of federal law for a drug-free workplace, and statutorily required training concerning the Child Protection Act of 1987, C.R.S. §§ 19-3-301 et seq.

J. Employee Records. CCA shall comply with all District policies and regulations, as modified and not waived herein, and applicable federal and state laws, concerning the maintenance and disclosure of employee records, including, without limitation, the requirements of the Colorado Public Records Law, §§ 24-72-204 et seq.

K. Employee Conflicts of Interest. All employees at CCA shall comply with District policy, and applicable state law, concerning actual and potential conflicts of interest.

L. District Teachers. Current teachers of the District who are selected for employment by CCA are eligible for a one-year leave of absence from their employment with the District and may renew such leave of absence as permitted by law. CCA agrees that it shall not employ any current teacher in the District or renew/continue employment of such teacher(s) unless the teacher has submitted a written leave of absence request to the District on or before April 1 in advance of such school year. The status of any teacher in the District employed by CCA will not be affected by such employment; however, the period of time a teacher is employed by CCA will not be considered for purposes of calculating years of service toward nonprobationary status in the District or experience credit on the District's salary schedule. On or before April 1 of any approved leave year, the teacher shall notify the District if he or she will return for employment with the District during the upcoming school year. If the teacher does not provide such notice, then it shall be deemed that the employee has resigned as a District employee and his or her employment with the District shall be terminated. CCA shall notify all District teachers who accept employment with CCA of the provisions of this section.

11. BOND ISSUES

In the event that the District hereafter considers an election issue for bonded indebtedness, CCA may ask the District to include the capital construction needs of CCA in such question or to separately submit a question for the voters that includes capital construction needs of CCA in accordance with current C.R.S. §§ 22-30.5-404 – 405.

12. INSURANCE AND LEGAL LIABILITIES

A. Insurance. CCA shall maintain property insurance, general liability insurance, workers' compensation insurance, unemployment compensation insurance, motor vehicle insurance, personal liability bonds for School employees as required by C.R.S. § 22-32-109(1)(h), and errors and omissions insurance covering CCA and its employees. These policies shall be maintained on the terms and with the deductibles and coverage limits as stated in Exhibit C. As to its insurance for general liability and for errors and omissions, CCA shall obtain policies that name the District as an additional insured.

B. Risk Management. CCA will report to the District any and all pending or threatened claims or charges against it or its employees which have been made in writing, provide the District's legal counsel and Superintendent with all notices of claim which make reference to the Colorado Governmental Immunity Act, cooperate fully with the District in the defense of any claims asserted against the District, its board members, agents or employees arising from or related to the operation of CCA, and comply with the defense and reimbursement provisions of the Colorado Governmental Immunity Act and the District's and CCA's applicable insurance policies. CCA will provide the District's legal counsel and superintendent with a copy of any such claim or charge (with names redacted when appropriate) within ten (10) business days following receipt. For purposes of this section, a "pending or threatened claim or charge" shall include charges filed with the Office of Civil Rights, Colorado Civil Rights Division, Equal Employment Opportunity Commission, Office for Special Education Programs, and complaints submitted to CDE's federal complaints officers; notices of claim which make reference to the Colorado Governmental Immunity Act; correspondence from attorneys alleging improper conduct and/or demanding relief from CCA and its officers, employees, and agents; correspondence from students, parents, employees, or third parties threatening legal action; and drafts or lawsuits which have been filed or threatened to be filed. The District shall promptly report to CCA any and all pending or threatened claims or charges against CCA which have been made in writing to the District and the District shall provide CCA's legal counsel and superintendent with a copy of any such complaint (with names redacted when appropriate) within ten (10) business days of receipt. CCA shall comply with all risk management requirements of its insurer, including any obligations to provide notice of claims to the insurer.

CCA has not been granted waivers from the District's policies and procedures concerning compliance with Section 504 and Title IX. CCA shall prominently post notices advising that complaints concerning CCA's alleged failure to comply with these laws may be submitted to the District's compliance officers in these areas. Nothing herein shall preclude CCA from offering students, parents and teachers an internal grievance process, nor from assuring grievants that their concerns will be kept confidential to the extent permitted by law. It is the intent of this section to permit parents and others a free choice of pursuing an internal grievance with CCA or making a complaint to the District.

C. Faith and Credit. CCA agrees that it will not extend the faith and credit of the District to any third person or entity. CCA acknowledges and agrees that it has no authority to enter into a contract or incur obligations that would bind the District, including, without limitation, any waiver or modification of the provisions of the Colorado Governmental Immunity

Act, C.R.S. §§ 24-10-101 et seq. CCA shall contract for all goods and services solely for itself as a separate legal entity distinct from the District.

D. Indemnification. Each party agrees to indemnify and hold the other party, its board members, officers, employees, and agents harmless from all liability, claims and demands arising from any suit, action, grievance, charge or proceeding brought in connection with or related in any way to such party's operations or the conduct of any of such party's board members, officers, employees, agents, or representatives. This indemnification and hold harmless obligation shall include all damages, attorneys' fees, costs, and expenses incurred by the party responding to the claims arising from the operations or conduct of the other party or its board members, officers, employees, agents and representatives. In the event of any genuine risk that the District may not otherwise recover under this section, the District may withhold funds for damages, attorneys' fees, costs and expenses incurred or reasonably anticipated in connection with any pending or threatened suits, actions, grievances, charges, or proceedings as provided under Section 12(B), provided that CCA must be put on notice of such threatened or actual proceedings before any such costs are incurred or funds withheld. This provision will not be deemed a relinquishment or waiver of applicable limitations of liability available to CCA or the District under law. This provision does not apply to any claims brought by or in the interest of either party against the other, whether under the dispute resolution provisions of this Contract, the Charter Schools Act, or otherwise. The parties may satisfy the obligations created in this section, in whole or in part, through the purchase of insurance. The District will reasonably seek to recover any amounts due under this section from any applicable insurance policy paid for by CCA before withholding funds otherwise due to CCA.

13. TRANSPORTATION

A. District Transportation. The District and CCA acknowledge and agree that daily transportation will not be provided by the District to students attending CCA. In the event CCA hereafter desires that the District provide transportation to students at CCA, and provided the District determines in its sole discretion that it can deliver such services to CCA without compromising its transportation of other District students, CCA may contract with the District for transportation services at cost by separate written agreement as an addendum to this Renewal Contract. CCA may schedule and use District transportation services for field trips and similar events, provided that capacity is available at the time the trip is scheduled and further provided that CCA reimburses the District for the costs of such transportation.

B. School Transportation. CCA may provide occasional and sporadic transportation to students by vans or vehicles other than school buses, and in such event shall be solely and fully responsible for compliance with applicable laws, rules, and regulations without compliance review by the District. If CCA desires to provide daily transportation to its students by school bus, it shall first submit a plan to the District for approval before providing such services and shall submit any proposed plan amendments to the District's transportation director for approval before implementing such amendments. The plan or amendments shall include assurances that CCA's delivery of transportation complies with all applicable laws, rules and regulations promulgated by the federal or state governments, including those concerning vehicle safety and driver qualifications, and a procedure to allow the District to review CCA's compliance

documentation on a monthly basis. If the plan or proposed amendments meet the requirements of this Section, the District's approval shall not be unreasonably withheld.

14. WAIVER OF CLAIMS

In consideration for each party's approval of this Renewal Contract and the additional benefits provided hereunder as contrasted with the Renewal Contract, each party forever waives and releases any and all claims, causes of action, and other rights to pursue legal, equitable or administrative action against the other in any forum, including but not limited to claims which could be asserted in a court of competent jurisdiction or before the Colorado State Board of Education, relating in any way to the Renewal Contract between CCA and the District or to the operation of CCA up to and through the date of execution of this Renewal Contract. This waiver and release shall not extend to the reconciliation of administrative costs for the 2004-05 fiscal year and the adjustment of payments thereunder. This waiver and release extends to all other claims, whether presently known or unknown, and regardless of whether either party subsequently discovers that its present understanding of facts related to the terms of the Renewal Contract or CCA's relationship with the District is inaccurate because of a mistake, a misrepresentation by the other party, or for any other reason whatsoever.

15. BREACH OF CONTRACT, TERMINATION, AND DISSOLUTION

A. Corrective Action. If the District finds significant reason to believe CCA may not meet any requirements of this Renewal Contract or of law, it may require remedial action. The District's right to take remedial action has been retained in full for those provisions of the Renewal Contract in which CCA is to give the District notice of actions but for which District approval has not been required, it being the parties' intention to shorten the Renewal Contract by deleting approval requirements but without waiving or limiting the District's authority to declare a breach and to take remedial action concerning such changes by CCA as permitted by this Renewal Contract or Colorado law. If the District reasonably determines that there is a substantial likelihood that CCA will fail to meet or make reasonable progress toward achievement of the content standards or pupil performance standards identified by CCA in the Renewal Application or agreed to in this Renewal Contract, or that it has or will fail to meet generally accepted standards of fiscal management, or that it has or likely will violate federal, state, or local law, this Renewal Contract, or District policies applicable to it, the District may develop a proposed corrective action plan to remedy such problems or may require that CCA submit a proposed corrective action plan within thirty (30) days after notice from the District (or such lesser amount of time appropriate under the circumstances). The District in its discretion may approve, seek modification of, or reject any plan proposed by CCA and thereafter may take action deemed appropriate to monitor implementation of the plan.

B. Authority to Take Actions and Effective Date of Actions. The District exercises its responsibility and authority for oversight of CCA through various means, including actions that may be corrective, preventive, and/or may impose costs upon CCA outside the ordinary budget process. It is important that such powers be available to the District, but in some cases the exercise of such powers, or the timing of action taken, may be harmful to the interests of CCA, impair the ability of CCA to operate, or disrupt student education. In order to assure that

these powers are exercised under such authority, with appropriate finality, and with such effects on CCA as will preserve the District's necessary power while minimizing risks of unnecessary damage to CCA's operations and the disruption of education, the parties agree that the effective date of such actions, and the party or persons authorized to make effective such actions, shall be as follows:

1. Any action that (i) will result in a withholding from CCA, expenditure by CCA, or other financial impact upon CCA of less than \$5,000 in any one fiscal year, or (ii) any request that CCA adopt or submit a corrective action plan may be taken by the Superintendent and shall be effective immediately, subject to CCA's right to seek dispute resolution under this Renewal Contract or an appeal as allowed by law to reverse such decision.

2. Any action that (i) will have a financial impact greater than described in subsection (B)(1), above, but which will result in withholding from CCA, expenditure by CCA, or other financial impact upon CCA in an amount equal to less than 25% of its total revenues under Section 7(A)(1) for three months in one fiscal year, or (ii) involuntarily rescinds an approved policy or statutory waiver previously granted to CCA and not related to personnel shall become effective following decision of the District Board of Education after dispute resolution under this Renewal Contract, if any, subject to CCA's right to appeal as allowed by law.

3. Any action that (i) will have a financial impact greater than described in subsection (B)(2), above, or (ii) involuntarily rescinds an approved waiver previously granted to CCA and related to personnel, or (iii) assumes direct District management of all or part of CCA's operations; or (iv) nonrenews or revokes CCA's charter and Renewal Contract, will, except as provided in subsection (A)(4), below, only be effective after exhaustion of CCA's opportunity to appeal to the State Board of Education as provided by law.

4. The District may, but is not required to, make interventions under Section 15(G) of this Renewal Contract effective immediately, notwithstanding subsection (B)(3), above, if and only if the District Board reasonably determines that a breach of the Renewal Contract by CCA presents a serious and imminent threat to the health, safety, or welfare of CCA or District students, the community, or the substantial property rights of the District or CCA. Such temporary management of part or all of CCA shall not be deemed a trusteeship or receivership. Such temporary management may, but is not required to, continue during the pendency of any dispute resolution or appeals with respect to the breach.

C. Termination by the District. Upon 30 days advance written notice or such lesser amount of notice reasonably necessary to serve the health, safety, or welfare of students enrolled at CCA, and subject to Section 15(B) above, this Renewal Contract may be terminated and the charter revoked by the District Board for:

1. Any of the grounds provided for under the Charter Schools Act, C.R.S. §§ 22-30.5-110, et seq.;
2. Any material breach of this Renewal Contract which has not been cured within 30 days after notice of breach or default has been provided to CCA;
3. Failure to achieve or make reasonable progress toward achievement of CCA's content standards, pupil performance standards, or educational goals and objectives set forth in this Renewal Contract;
4. Insolvency of CCA (defined as a real, ongoing or long-term inability of CCA to pay its debts as they come due in the ordinary course of business);
5. Failure to meet generally accepted standards of fiscal management, including but not limited to the terms of this Renewal Contract concerning budgeting and financial reporting;
6. Student enrollment which is inadequate to support a budget for sound fiscal operation of CCA as determined by the District Board after written notice to CCA and a reasonable opportunity for CCA to present enrollment and budget information;
7. Violation of any provision of law from which CCA is not specifically exempt; or
8. Nonappropriation of funds pursuant to Section 1 of this Renewal Contract.

The District's notice of corrective action under Section 15(A) shall also serve as the notice required under this section unless the corrective action specifies to the contrary.

D. Other Remedies. The District may impose other remedies for breach including, but not limited to, revocation of waiver(s); withholding of funds; return and/or disposition of assets of the District; and any other remedies available at law or in equity. With respect to any refusal or failure to perform any action required by this Renewal Contract, including but not limited to any action in connection with dissolution or winding up the affairs of CCA as provided in Section 15(E) below, the District shall be entitled to specific performance by CCA and those authorized to act on its behalf.

E. Termination by CCA. Should CCA choose to terminate this Renewal Contract before the end of the contract term, it may do so in consultation with the District only at the close of any school year and upon written notice to the District given at least 90 days before the end of CCA year.

F. Dissolution. Should CCA cease operations as a District charter school, should the nonprofit corporation which operates CCA cease doing business while the charter granted herein remains in effect, or should the charter terminate for whatever reason, then, at the sole discretion and option of the District, any assets owned or otherwise held by CCA and not required to

liquidate outstanding obligations to third parties nor requiring return to the donor or grantor, including tangible, intangible, and real property, will become the property of the District and title thereof will be transferred to the District, unless and/or to the extent the District shall decline in writing to accept the same. The District shall supervise and have authority to conduct the winding up affairs of CCA, paying all creditors, and transferring funds and net assets, if any, to the District. In winding up the affairs of CCA, the District will not be responsible for and will not assume any liability incurred by CCA. The District's authority in winding up the affairs of CCA shall include, but not be limited to, the return and/or disposition of any assets acquired by purchase or donation by CCA during the time of its existence, consistent with any donor conditions.

G. District Interventions. During the period after the District gives CCA written notice of a termination or a material breach, in addition to any other rights, the District shall also have the right and power to (a) require CCA to promptly take such actions as may be necessary to freeze bank accounts and other assets of CCA and/or to require District approval of any expenditure or disposition of assets and (b) receive full and complete access to all CCA's records, data, and information.

16. MISCELLANEOUS PROVISIONS

A. Entire Agreement. This Renewal Contract, with attachments, contains all terms, conditions, and provisions hereof and the entire understandings and all representations of understandings and discussions of the parties relating thereto. All prior representations, understandings, and discussions, including but not limited to those set forth in the Renewal Contract, are superseded and canceled by this Renewal Contract. All provisions of this Renewal Contract shall supersede and control over any conflicting or inconsistent language contained in the Renewal Application, or in any previous agreement between the parties. For purposes of all references in this Contract and the Renewal Application or state law, and notwithstanding any provision in this Renewal Contract and the Renewal Application or state law, or any understanding any party hereto may have, the Charter of CCA shall be this Renewal Contract and the Renewal Application, to the extent the Renewal Application is not superseded or modified by this Renewal Contract.

B. Amendment. This Renewal Contract may only be modified or amended by further written agreement executed by the parties hereto.

C. Notice. Except as otherwise provided herein, any notice required or permitted under this Renewal Contract shall be in writing and shall be effective upon personal delivery to CCA's Director or to the District's Superintendent as appropriate (subject to verification of service or acknowledgment of receipt) or 3 days after mailing when sent by certified mail, postage prepaid, to the parties listed below:

To CCA: Cardinal Community Academy
Attn: Director
3101 County Road 65
Keenesburg, Colorado 80643-8604

Cardinal Community Academy
Attn: President, Board of Directors
3101 County Road 65
Keenesburg, Colorado 80643-8604

To the District: Weld County School District Re-3J
Attn: Superintendent of Schools
P.O. Box 269
Keenesburg, CO 80643

Weld County School District Re-3J
Attn: President, Board of Education
P.O. Box 269
Keenesburg, CO 80643

D. No Waiver. The parties agree that no assent, express or implied, to any breach by either of them of any one or more of the covenants and agreements expressed herein shall be deemed or be taken to constitute a waiver of any succeeding or other breach.

E. Interpretation. In the event of any disagreement or conflict concerning the interpretation or enforcement of this Renewal Contract, the Renewal Application, and District policies, procedures, regulations, or other requirements, other than those for which waivers have been granted, it is agreed that the provisions of this Renewal Contract and District policies shall control over the Renewal Application.

F. Standing and Capacity. CCA's governing board shall have standing and capacity to enter into and enforce any of the terms of this Renewal Contract on behalf of CCA. Any action by the CCA Board on behalf of CCA shall be limited to enforcing the terms of this Renewal Contract and recovering the amounts provided for herein and shall not include any action or proceeding for other amounts or damages, including but not limited to any special, incidental, consequential, or punitive damages allegedly arising from the acts or omissions of the District, its employees, directors, agents and consultants.

G. Assignment. CCA shall not assign its Charter nor any of its rights or obligations under this Renewal Contract to any person or entity, including, without limitation, a new body corporate formed by CCA, without the prior written approval of the District Board.

H. Dispute Resolution. In the event any dispute arises between the District and CCA concerning this Renewal Contract, including, without limitation, the implementation of or waiver from any policies, regulations, or procedures, such dispute shall first be submitted to the District Superintendent or his/her designee for review. Thereafter, representatives of the District and

CCA shall meet and attempt in good faith to negotiate a resolution of the dispute. In the event these representatives are unable to resolve the dispute informally pursuant to this procedure, they shall submit the matter to an independent mediator, who shall be agreed upon by the parties within 15 calendar days following either party's request for mediation (the "moving party"). If the parties are unable to agree upon a mediator within that time, the moving party shall obtain a list of five names from the Judicial Arbitrator Group, Denver, Colorado, and submit them to the other party, who shall strike one, return the list to the moving party, and so forth, until one name remains. The remaining person shall be selected as the mediator. This striking process shall be completed within 10 days after delivery of the list to the non-moving party. The mediation shall be scheduled and concluded within 60 days of the mediator's selection. The mediation process shall be closed to the public and all information submitted during mediation shall be confidential to the extent permitted by law. At the conclusion of the mediation, if the dispute is still not resolved, the mediator shall make an advisory recommendation to the District Board, which shall make a determination within 15 days of receipt. The decision of the District Board shall be final; provided, however, CCA may appeal to the State Board of Education concerning those matters within its jurisdiction under the Act. The parties will equally share the costs of mediation. A party who unilaterally cancels or withdraws from a scheduled mediation will pay the full cost of any fees assessed by the mediator.

I. No Third Party Beneficiary. The enforcement of the terms and conditions of this Renewal Contract and all rights of action relating to such enforcement shall be strictly reserved to the District and, subject to the provisions of Section 16(F), CCA. Nothing contained in this Renewal Contract shall give or allow any claim or right of action whatsoever by any third party. It is the express intent of the parties to this Renewal Contract that any person receiving services or benefits hereunder shall be deemed an incidental beneficiary only.

J. Release of Claims; Revisions to Law; Preservation of Status Quo. This Contract will be governed and construed according to the Constitution and Laws of the State of Colorado. The parties recognize that charter school contracts are between public entities and are closely regulated by law, which is itself frequently revised. It is the intent of the parties that this contract be in compliance with law, and to the full extent permitted by law, properly settle and resolve, for the 2005-06 school year and all preceding years, any issues that might be disputed as a matter of law. The parties accordingly hereby release each other for any and all claims that might be made one against the other through June 30, 2005, and for any claims that this Renewal Contract is entered in violation of law. If either party believes that any provision of this Renewal Contract will be or has become in violation of any federal, state, or local law, and asserts the claim within the deadlines in paragraph K, the parties shall participate in good faith in the opportunity for renegotiation and dispute resolution provided for in paragraph K, below. During the period of negotiation, dispute resolution, or any resulting impasse between the parties, CCA may continue to operate the school pursuant to the terms of this Renewal Contract until such time that (i) the parties resolve their differences by written agreement, or (ii) a final appeals court or the Colorado State Board of Education, provided such entity holds lawful jurisdiction over the matter, enters an order or decision resolving the impasse. The foregoing "status quo" provision shall not waive the rights of the party asserting the benefit of the change in law to claim an appropriate remedy retroactive to the effective date of the change in law, and any statute of limitation for asserting such a claim shall be tolled pending the final decision described in subsection (ii).


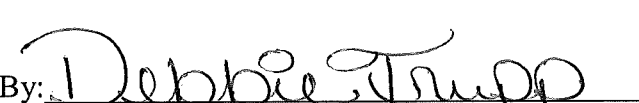
K. Revisions to Law. If either party believes a change in law occurring after June 30, 2005, has materially altered the bargain struck herein, such party may request renegotiation of affected contract provisions. Upon such request the parties agree to negotiate in good faith to achieve substitute contract provisions that accord with then-current law. The parties further agree that such requests for renegotiation should be presented and resolved during the school year immediately following the legislative session in which such change of law occurs. Failure to request renegotiation and/or to present any claim by October 15 of such school and fiscal year shall constitute a full waiver of any claims based on law, including revisions to law, for that school and fiscal year. The parties shall complete negotiation of any items identified for renegotiation within 90 days following receipt of the notice unless they mutually agree to extend the deadline. Should the parties be unable to reach agreed resolution, either party may request dispute resolution under paragraph H, above, to complete such renegotiation.

L. Authority to Sign. Each signatory hereto expressly represents that he/she has the authority to enter into this Renewal Contract as a binding legal obligation on behalf of the party represented.

IN WITNESS WHEREOF, the parties have executed this Renewal Contract as of the date first above written.

ATTEST:

CARDINAL COMMUNITY ACADEMY

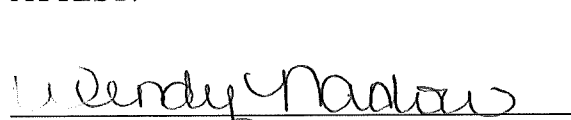
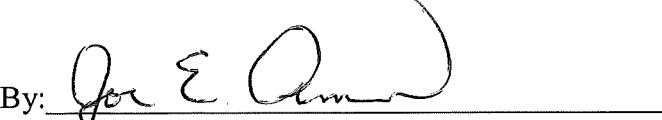
 By: 
Jill R. Arnusch, Secretary Debbie Trupp, President
Board of Directors Board of Directors

APPROVED AS TO COMPLIANCE
WITH CURRENT LAW

William P. Bethke
Kutz & Bethke, legal counsel for the
Cardinal Community Academy

ATTEST:

WELD COUNTY SCHOOL DISTRICT RE-3J

 By: 
Wendy Nadow, Secretary Joseph Amen, President
Board of Education Board of Education

K. Revisions to Law. If either party believes a change in law occurring after June 30, 2005, has materially altered the bargain struck herein, such party may request renegotiation of affected contract provisions. Upon such request the parties agree to negotiate in good faith to achieve substitute contract provisions that accord with then-current law. The parties further agree that such requests for renegotiation should be presented and resolved during the school year immediately following the legislative session in which such change of law occurs. Failure to request renegotiation and/or to present any claim by October 15 of such school and fiscal year shall constitute a full waiver of any claims based on law, including revisions to law, for that school and fiscal year. The parties shall complete negotiation of any items identified for renegotiation within 90 days following receipt of the notice unless they mutually agree to extend the deadline. Should the parties be unable to reach agreed resolution, either party may request dispute resolution under paragraph H, above, to complete such renegotiation.

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ATTEST:

CARDINAL COMMUNITY ACADEMY

By: _____, President
Board of Directors

APPROVED AS TO COMPLIANCE
WITH CURRENT LAW



William P. Bethke
Kutz & Bethke, legal counsel for the
Cardinal Community Academy

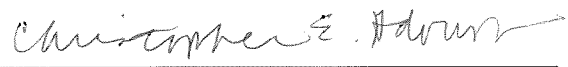
ATTEST:

WELD COUNTY SCHOOL DISTRICT RE-3J

Wendy Nadow, Secretary
Board of Education

By: _____
Joseph Amen, President
Board of Education

APPROVED AS TO COMPLIANCE
WITH CURRENT LAW

A handwritten signature in cursive script, reading "Christopher E. Gdowski". The signature is written in dark ink and is positioned above a horizontal line.

Christopher E. Gdowski
Caplan and Earnest LLC, legal counsel for the
Weld County School District Re-3J