



Performance Audit Report

Report prepared by Mark A. Long of
the Utah State Office of Education.

November 2008

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Background

In 2006 The Utah State Board of Education approved a charter for Utah Virtual Academy (UTVA), Utah's first all-virtual public school. Per Utah's 2008 General Session, S.B. 2 mandates the State Board of Education to conduct an audit of the funds allocated to the Utah Virtual Academy (UTVA) through the Minimum School Program (MSP), including expenditures of Weighted Pupil Unit (WPU) and Local Replacement Funding (LRF). In its first year, UTVA serves students from kindergarten through the 11th grade and will serve kindergarten through 12th grade thereafter. UTVA is approved for 500 students in 2008-2009, 1250 students in 2009-2010, and 2050 students in 2010-2011. Since UTVA is a public charter school it is required to perform essentially the same functions that a district office would perform, such as human resources accounting, technical support, etc. which UTVA's board has chosen K¹², Inc., a Charter Management Organization (K¹²) to handle not only its curriculum but all other aspects of managing the school.

What is a Virtual School?

There are two broad categories of public virtual education programs.

1. Supplemental or part-time.

These virtual programs are online courses designed to help supplement the student's regular classroom curriculum offered by the student's home school and for credit recovery purposes. Utah's Electronic High School (EHS) is considered a supplemental virtual program and is operated by the Utah State Office of Education (USOE). All staff and computer equipment is housed in USOE's building. EHS's teachers do not work in the USOE's building and generally teach from their private homes. Additionally, students and parents are responsible for their own computer and other hardware.

In virtual courses, students work at their own pace, but due to the large number of students and minimal staff a student's activity within the program is seldom tracked.

2. Full-time.

Full-time virtual schools, such as Utah Virtual Academy, provide the majority or the entirety of coursework to students via the Internet. UTVA serves all grade levels and is responsible for every aspect of a student's education, including oversight, administration of state assessment exams and provision of special education services. Additionally, UTVA, as do most full-time virtual programs, provides the computer, the necessary software and the course materials as part of their services.

In virtual schools students are self-paced, within the parameters specified by state law, and their participation and progress is continually monitored to ensure that they are on task. A combination of quizzes, tests, projects, and portfolio submissions are used to evaluate student performance and progress. Like all other public schools, distant learners are required to take the State standardized assessments.

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Parents Role in Virtual Education

Parents with students in the K–8 grades enrolled in UTVA must commit to spending several hours per day to assist their children in the learning process. The parent or other responsible adult role varies from grades K-8 to that of high school. In grades K-8, the parent (or other responsible adult), working in conjunction with the teacher, serves as a “learning coach” to the student, helping facilitate progress through the daily lessons and working to modify the pace and schedule according to the child’s needs. The teacher communicates via e-mail, telephone, online Web meetings and in person. A suggested lesson plan is provided each week, which updates automatically as the student progresses. The lesson plan can be varied to accommodate the student’s pace or abilities. For instance, some children do better when they can concentrate their math studies for longer hours per day but, fewer days per week. Other parents use their children’s favorite subject as a reward to give the child a break periodically from tougher subjects.

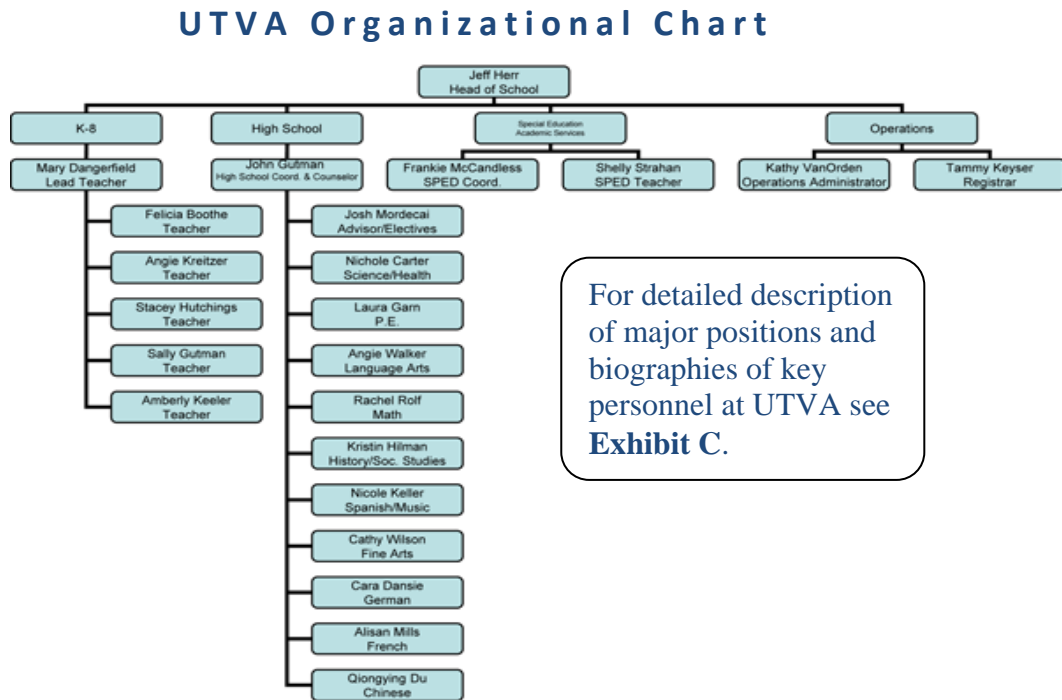
In the high school program, students are expected to be more accountable for their daily progress and time management. They have one subject-specific teacher for each subject studied. These teachers are responsible for reviewing all student work and providing instructional feedback. Teachers work together on a teaching team, and employ a cooperative team-teaching approach. The student is expected to move at a more consistent pace with her or his “class” in each subject, though there is room for flexibility. The parent still plays an important supportive role to help the student stay on task and to help ensure the student is following through on his or her assignments, but the student is expected to start managing his or her own time and schedule more directly.¹

To obtain a better understanding of what a virtual schools is please refer to **Exhibit A** which gives the typical daily schedules for K-8 and 9-12 students.

To view the complete services performed by K¹² for UTVA please see **Exhibit B**.

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An organizational chart, prepared by K¹² in conjunction with UTVA, is shown immediately below:



Cost Analysis and Comparison

Since Utah Virtual Academy just started its first year of operation in August 2008, actual expenditures are only available for review and comparisons to other schools for approximately two months. Additionally, if data had been available, comparing the expenditures of a first-year charter school with extensive start-up costs to the expenditures of an established charter school is essentially meaningless. UTVA is not only a first-year charter school, it is also the first all-virtual school in Utah which presents other unique challenges in comparing it to other charter schools because all-virtual charter schools vary significantly in key areas of their operations such as in facilities, curriculum, additional teacher development for on-line training instruction, shipping costs of text books and other essential learning tools.

With that being said, it was determined that a reasonable comparison could be made using the annual budgeted expenditures for FY 2009 as self-reported in the Annual Financial Reports (AFR), for fiscal year ending June 30, 2008. Please refer to **Table 1** for details. Please note that the figures used in this report are self-reported and time and resources did not allow for verification.

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The FY 2009 budgeted expenditures for the following three programs and program types were compared to UTVA FY 2009 budgeted expenditures.

- **Charter School A**
A traditional brick-and-mortar charter school with similar enrollment size and grade mix as UTVA. This charter school performs management functions with in-house staff.
- **Charter School B**
A traditional brick-and-mortar charter school with similar enrollment size and grade mix as UTVA. This charter school performs management functions with a contracted full-service management company.
- **EHS**
Utah Electronic High School.

Some of the budgeted expenditure variations between the schools used in the sample is due to differences in how the schools account for costs. Although all Utah public schools must follow the Financial Accounting for Local and State School Systems guidelines per the National Center for Education Statistics (NCES), schools often interpret the guidelines differently causing them to account for their operating costs in slightly different manners. It was determined that UTVA reported many of their budgeted expenditures in several key areas inconsistent with NCES guidelines. After UTVA reviewed this preliminary audit report they met with the appropriate USOE Finance and Statistics staff member to learn USOE's reporting requirements to ensure future compliance. Because of these differences and to provide for more meaningful comparisons, the expenses for each of the above schools were categorized in four major areas with immaterial expenditures classified as "Other":

1. Salaries and Benefits (*Includes all salary and benefits except those directly attributable to facilities, such as maintenance personnel.*)
2. Curriculum and Supplies (*Includes instructional supplies and textbooks.*)
3. Facility related (*Includes all expenditures related to owning facilities such as purchase/lease payments, maintenance, and salaries specifically attributable to facilities, etc.*)
4. Purchased Services (*Includes professional, technical, etc. services that are not done in-house.*)

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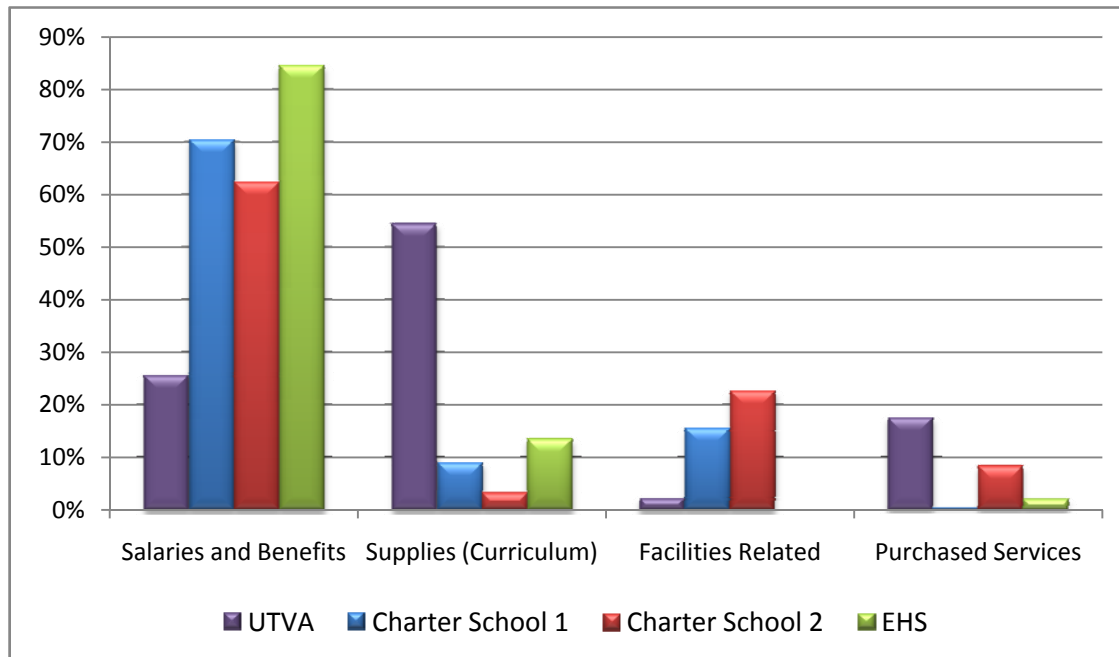
Major Budgeted Expenditures by Category - FY 2009

Table 1

Expenditure Classification	UTVA		Charter School 1		Charter School 2		EHS	
Salaries and Benefits	\$ 654,887	26%	\$ 2,570,964	70%	\$ 2,217,053	62%	\$ 1,978,259	85%
Supplies (Curriculum)	1,390,704	54%	327,500	9%	114,651	3%	315,000	13%
Facility Related	57,928	2%	570,450	16%	804,975	23%		0%
Purchased Services	450,338	18%	13,000	0%	298,398	8%	47,478	2%
Other	-	0%	170,000	5%	119,500	3%		0%
Totals	\$2,553,857		\$3,651,914		\$3,554,577		\$2,340,737	

Source: Budgeted expenditures for FY 2009 from the Annual Financial Reports For Fiscal Year Ending June 30, 2008

The following chart displays the data in **Table 1** above.



The disparity of the percentages spent on salaries and benefits by UTVA as compared to the other schools is one of the major variances. Further analysis was performed to obtain a better understanding of the differences in the salaries. Upon request, K¹² provided a detailed breakdown of their charges to UTVA, which lists Administration Fees of \$410,089. This report detailing the charges from K¹² to UTVA is included as **Exhibit D**. It appears as though the \$410,089 is included as part of the curriculum charges, although K¹² asserts that these fees are actually classified as part of the “Purchased Services” as shown in **Table 1**. Regardless to where the \$410,089 was initially allocated, it appears as though it is a contributing factor in the

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disparity in the “Salary and Benefits” classification and for the purposes of comparing salaries in greater depth it is considered as an “Administration” fee in the Salary and Benefits analysis in **Table 2**. Salaries, as a percentage of total expenditures, still shows disparity, although not as severe. Another contributing factor of the disparity in the salaries appears to be in “Purchased Services.” Without additional details further analysis is not possible.

Salaries and Benefits by Category - FY 2009

Table 2

Salary Classification	UTVA		Charter School 1		Charter School 2		EHS	
Total Expenditures	\$2,553,857		\$3,651,914		\$3,554,577		\$2,340,737	
Instruction and Classroom	\$654,887	26%	\$2,007,505	55%	\$1,848,350	52%	\$1,978,259	85%
Administration	410,089	16%	299,880	8%	322,040	9%	315,000	13%
Other i.e. food		0%	191,129	5%	46,663	1%		0%

Source: Budgeted expenditures for FY 2009 from the Annual Financial Reports For Fiscal Year Ending June 30, 2008

Note: The percentages are calculated using Total Expenditures as the base.

Also added into the mix of undetermined amounts of salaries and expenditures are the percentages stated in the contract, **Exhibit G** (Sections 4.2 and 4.3), for “Administration Service Fees” and “Technology Services” at 17% and 7%, respectively. Additionally, K12 now asserts that the 17% for “Administration Service Fees” has been increased to 21% by approval of UTVA’s board. This increase will be an easy matter to verify and should be resolved shortly, although subsequent to the submission of this report.

The other major variance in **Table 1** is the difference in the budgeted “Supplies and Curriculum” expenditures. Based on this analysis it appears as though budgeted salaries and facilities-related expenditures are shifted to curriculum and supplies in UTVA’s spending projection. Inquiry of UTVA as well as data in other reports found on the internet would indicate that curriculum and curriculum-related expenditures for virtual education programs are more expensive based on the following factors:

- **Providing quality on-line curriculum that is both engaging and effective is more expensive to develop than that of traditional curriculum.**

In virtual schools the cost of curriculum is a major variable in total funding needs. Successful on-line programs must have curriculum and instruction that stress student/teacher interaction and student/student interaction. Schools that choose to skimp in these areas should not expect a high degree of student success. The earliest online curricula were simple and easy to design. It consisted of giving the students textbooks and the only online component of the class was little more than a syllabus. Modern online curricula combine the best practices in classroom instruction with the advantages inherent in online systems. They use project-based learning and other hands-on activities. They make use of the latest software and technology advances,

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including multi-media, to engage students and make them active participants in the educational process. Additionally, nearly 100% of the curriculum must be fully developed and in place prior to the start of the school year to accommodate those students who work at a faster pace than others.

- **Virtual school teacher development and training is more expensive.**

Virtual school teacher development and training is more extensive and therefore more expensive than the training of teachers in traditional schools. The North American Council for Online Learning has issued National Standards for Quality Online Teaching.² Some of the major categories required of successful online teachers in addition to those generally required of teachers in traditional schools are:

 - a. Teachers has general computer and technology skills.
 - b. Teacher has the skills and knowledge to plan, design, and incorporate strategies to encourage active learning, interaction, participation and collaboration in the online environment.
 - c. Provides online leadership that promotes student success through regular feedback, timely response and clear expectations.
 - d. The teacher models, guides and encourages legal, ethical, safe and healthy behavior regarding the use of technology.
 - e. The teacher has experience from online learning from the perspective of being a student.
 - f. The teacher appreciates and understands and is able to assist students with special needs in the online environment.
 - g. Teachers arrange media and content to help students and teachers transfer knowledge effectively in an online environment.

- **K¹² incurs additional costs in disseminating materials for each course for each student.**

After the student completes the course, K¹² incurs the shipping and handling costs in shipping the finished course materials and textbooks back to K¹² and then similar costs to send new materials and books to the student. K¹² considers it a critical component to their learning model that students have their heads and hands in materials and therefore students obtaining curriculum on line is not an option. K¹² typically provides 40 pounds of online materials to students. For example, K¹² sends a phonics tiles kit essential to reading acquisition.

- **Providing computers and high-speed internet access.**

Rarely do public district or charter schools provide the student or family with a computer, software and high-speed internet access. I am aware of other charter schools who contribute to the costs of a computer, but none that provide each and every student with a computer. In doing the fieldwork for this project, UTVA's advertisements have been criticized by numerous sources as an unfair enticement – after all, what kid wouldn't want to get a free computer?

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The Likelihood of Cost Savings in Virtual Learning

In reviewing the projected budget, see **Exhibit E**, for UTVA it appears as though K¹² is paid the balance of whatever funds UTVA receives regardless of how many students are added or how much revenues are increased. In investigating this further, **Exhibit D** was reviewed and it was determined that K¹² was issuing a credit to UTVA each year for the amount of expenditures needed for UTVA to have a balanced budget. Since K¹² has agreed to issue credits for any unpaid fees owed to K¹² by UTVA, and K¹² charges are projected to be greater than the funding for UTVA, it explains how UTVA operates with no losses or surplus funds. Section 5.3 of the contract between UTVA and K¹² appears to verify that K¹² will write-off any unpaid UTVA debt owed to them. See below for this reference:

“In the event that the Program incurs a Deficit in any fiscal year and is unable to pay the resulting Debt in that period, K¹² will forgive the corresponding Debt or the portion remaining at the end of two years.”

A complete copy of the contract between UTVA and K¹² is provided in **Exhibit G** for review.

Typically, traditional charter schools start showing some savings after the first year or two in operation. UTVA/K¹² provided a breakeven analysis showing how many students were needed to break even and start showing some cost savings, see **Exhibit F**. According to this analysis the breakeven point is 3,000 students being funded at an average of \$5,600 each. Although Utah Virtual Academy is only approved for 500 students this school year, they are approved for 1,250 students in 2009-2010, and 2,050 students in 2010-2011. The average amount of funding projected for charter schools is estimated at \$5,100 per student, which is less than the \$5,600 UTVA/K¹² is using in their breakeven analysis.

After the review of various studies and reports regarding the development of virtual schools it appears as though costs savings are possible, in the long run, mainly for those schools who develop, and own, their own curriculum. For example, Florida’s virtual education program is often cited as one of the most experienced full-time virtual programs in the country. Florida Virtual School was well funded in their planning and startup years through generous appropriations from their state legislature that gave them the additional resources needed to develop their own curriculum. Florida Virtual School spent 80% of their supplemented budget on curriculum development for the first several years. Each course development required a \$50,000 to \$100,000 investment from Florida Virtual School. (These cost figures are based on Florida Virtual School’s early years during 2000-2001 and would likely be much greater now). In 2000-2001, when they were still developing their own curriculum, their costs exceeded state per-pupil funding by nearly 50%. After Florida Virtual School’s curriculum was fully developed, they were able to bring per-pupil costs below the average of funding for Florida’s traditional brick-and-mortar schools.³ Nationally, the cost of online curricula also varies considerably (with reported curriculum development costs ranging from as low as \$13,000 per course to \$500,000

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per course and more); and, at least at the lower end of this range, the quality of the curriculum is significantly affected by the amount invested in its development.⁴

On the other hand, in the absence of generous planning and startup funding, many schools have elected to use for-profit companies like K¹². This eliminates the school's expensive curriculum development costs as well as much of the up-front financial risks. The trade-off for avoiding these development costs and the associated risk is that the school will never own their own curriculum and must continue to pay fees indefinitely to for-profit companies. Since the curriculum fees are a variable cost based on student enrollment it is not likely that any significant savings will be attained, as evidenced by **Exhibit F** prepared by UTVA. K¹²'s willingness to accept the same amount of funding paid to other Utah charter schools and write-off any unpaid amounts UTVA owes to K¹² is an important safeguard of public funding and appears to put an effective spending cap on potential out-of-control spending.

Conclusion

In conclusion, this data suggests that the total expenses of operating a quality and effective virtual charter school versus a more traditional brick-and-mortar charter school are essentially the same, although the expenses are shifted to different areas. In researching the area of virtual learning, most of the literature and reports emphasized that quality virtual schools were never intended to cost less to run, but rather were intended to reach out to those student populations not currently being served by more traditional schools.

Areas for Future Study

Because of the time constraints, scope of the audit and data available the following areas are recommended for future study and review:

- 1. Verify that UTVA provides an adequate breakdown of K¹²'s charges.**

Ensure that UTVA is reporting according to the standards set by the Financial Accounting for Local and State School Systems guidelines per the National Center for Education Statistics. Adequate details need to be disclosed to determine accurately and precisely what products and services, and the costs for each, UTVA is paying to K¹². Key detailed information was not received and therefore actual charges paid by UTVA for services and materials were not able to be determined.

Other states are also concerned with disclosure and reporting issues. Several states question the amounts that for-profit companies charge to operate schools on their behalf. Legislators and education departments in Pennsylvania, Idaho, Ohio and Florida want more oversight authority over how virtual schools spend their funding. In Oregon, concerns about transparency and use of public funds may further delay the North Bend School District's plan to establish a virtual school that would cater to students throughout the state. John Granger, an Oregon Lane Community College instructor who teaches distance learning courses online, expressed his concern that a company like K¹²

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receiving state funds could become an issue, especially if it has stakeholders to answer to.⁵ For Example, Idaho's Office of Performance Evaluations in March 2007 stated that "The Legislature should consider additional annual reporting requirements for virtual schools." At least two state legislators still question where the money is going and the state's level of financial oversight. State Sen. Elliot Werk, D-Boise, who voted for Idaho's initial virtual funding 2004 bill, said spending patterns show a need to revisit the law. "I would love to see a more in-depth review done of virtual schools," said Werk, who sent his own child to a brick-and-mortar charter school. "It's very apparent virtual schools have a place in the system and provide a valuable service. On the other hand, there are key questions about the use of public money in virtual school settings and how that money is utilized." In Pennsylvania, the auditor general's office is now auditing all of the state's virtual charter schools after they have been in existence for two years. Even though they have not been mandated to perform these audits, Auditor General (Robert) Casey wants to account for every taxpayer dollar.⁶

Utah's current Annual Financial Report and Annual Program Report would require that UTVA provide the transparency in finances that many other states desire to see. UTVA has assured USOE that it will make every effort to comply.

2. Ensure that UTVA's board is directing K¹².

Some educators are not comfortable with the cozy relationships between the nonprofit school boards that oversee the schools and the for-profit companies that end up with most of their budgets. Like Utah, Idaho Virtual Academy buys its curriculum from K¹². For example, Idaho Virtual Academy's top administrators are all K¹² employees working under a contract awarded without competitive bidding - which was not required by the state. Idaho Virtual Academy's board allows some K¹² workers to sign checks drawn on academy accounts.

3. Careful monitoring of student's progress needed.

Since full-time virtual education is new to Utah and relatively new to the United States as well, careful monitoring is essential to ensure that students are making progress and test scores remain the same or improve.

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Appendix:

Exhibit A A Day in the Life of a Typical K¹² Student

Exhibit B Detailed List of the Services Offered by K¹² to Utah Virtual Academy

Exhibit C Position Description and Staff Biographies

Exhibit D K¹² Charges and Credits

Exhibit E Projected Budget

Exhibit F Break Even Analysis

Exhibit G Contract between K¹² and UTVA

References:

¹ Various information regarding K12, Inc. Retrieved from <http://www.k12.com/>

² The North American Council for Online Learning, National Standards for Quality Online Teaching. Retrieved from: <http://www.nacol.org/nationalstandards/NACOL%20Standards%20Quality%20Online%20Teaching.pdf>

³ Funding Online Education, A Report to the Colorado Online Education Programs Study Committee, John Adsit for Colorado Cyberschool. Retrieved from: <http://www.dkfoundation.org/pdf/FundingOnlineEd-JAdsit.pdf>

⁴ Final Report Colorado Online Education Programs Study Committee. Retrieved from: http://www.evergreenassoc.com/pdfs/Colorado_Online_Education_Programs_Study_Committee.pdf

⁵ The World, State says virtual school needs more study. Retrieved from: <http://www.theworldlink.com/articles/2008/01/22/news/doc479639670f980096024157.prt>

⁶ Virtual-School Costs Under Siege. Retrieved from: <http://www.wired.com/politics/law/news/2004/04/62890?currentPage=all>

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Additional data and information were obtained from some of the following reports:

BellSouth 20/20 Vision for Education: Costs and Funding of Virtual Schools. Retrieved from:
<http://www.nacol.org/docs/Costs&Funding.pdf>

School District Performance Audit Report, K-12 Education: Determining the Reasons for Variations in Virtual School Costs, Legislative Division of Post Audit, State of Kansas. Retrieved from:
http://www.kslegislature.org/postaudit/audits_perform/07pa29a.pdf

Virtual School Operations, Evaluation Report, March 2007, Office of Performance Evaluations, Idaho Legislature. Retrieved from: <http://www.legislature.idaho.gov/ope/publications/reports/r0702.pdf>

Virtual School Operations, follow-up Report, March 2008, Office of Performance Evaluations, Idaho Legislature. <http://www.legislature.idaho.gov/ope/publications/reports/r0803f.pdf>

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A Day in the Life of a Typical K¹² Student

(Information copied from k12.com web page. (http://www.k12.com/get_a_taste_of_k12/a_day_in_the_life/))

Exhibit A

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A day in the life of an elementary student:

Jerome is halfway through the middle school courses he registered for this year. He is the oldest of five children, all of whom are in the virtual academy. His father stays at home with the kids while his mother works outside the home.

Morning **Afternoon** **Evening**

8:00 am. Jerome gets up and gets dressed.

8:15 am. While eating breakfast, Jerome reviews the history reading from the night before.

8:30 am. Jerome accesses his schedule for the day through the Online School (OLS), and organizes all the materials he needs for the day's lessons.

8:45 am. Jerome meets briefly with Dad to review the day's schedule and portions of lessons where he will need assistance.

9:00 am. Jerome does today's lessons in American History Since 1865.

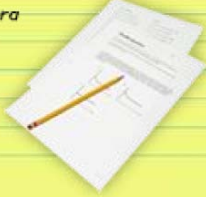

9:50 am. He takes a break to read aloud to a younger sibling.

10:05 am. Jerome starts work on his Pre-Algebra A lesson.

10:50 am. In his English A lesson, Jerome starts with the literature portion.

Noon Lunchtime with the family

My Schedule



Jerome is halfway through the middle school courses he registered for this year. He is the oldest of five children, all of whom are in the virtual academy. His father stays at home with the kids while his mother works outside the home.

Morning **Afternoon** **Evening**

2:30 pm. Jerome works on the remaining components of his English A lessons for the day.

1:30 pm. Daily chores.


2:30 pm. Dad meets with Jerome to review completed work and provide any assistance Jerome may need.

2:45 pm. Jerome does his Earth Science lesson.

3:40 pm. Afternoon break and snack.

4:00 pm. Jerome takes time out to practice the piano.

4:30 pm. In his final subject of the day, Jerome works on a project for Intermediate Art: American B.



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A Day in the Life of a Typical K¹² Student

(Information copied from k12.com web page. (http://www.k12.com/get_a_taste_of_k12/a_day_in_the_life/))

Exhibit A

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Jerome is halfway through the middle school courses he registered for this year. He is the oldest of five children, all of whom are in the virtual academy. His father stays at home with the kids while his mother works outside the home.



 Morning  Afternoon  Evening

5:15 p.m. *Free time.*

6:00 p.m. *Dinner with the family*

7:00 p.m. *Jerome reads a History lesson aloud for discussion with the family.*

8:30 p.m. *Bedtime and independent reading.*



A day in the life of an elementary student (continued):

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A Day in the Life of a Typical K¹² Student

(Information copied from k12.com web page. (http://www.k12.com/get_a_taste_of_k12/a_day_in_the_life/))

Exhibit A

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A Day in the Life of A UTVA HS student

7:00-7:30	Student wakes up, prepares for the day	12:00-1:00	Student logs into English class, review's assignments, reads through lesson including a short story, a grammar exercise, a vocabulary quiz, and begins to work on brainstorming for the upcoming personal narrative writing assignment due the next day.
7:30-8:00	Breakfast	1:00-1:30	Student goes to English office hours to bounce ideas about the personal narrative paper off of the teacher and peers. The teacher helps the student narrow the focus of the assignment.
8:00-8:30	Student logs into "My Info" to check updated grades, review assignments due, and read and respond to new K-Mails	1:30-2:30	Student logs into World History class, reviews the day's assignments, reads through the lesson, and completes and submits the time line assignment on the Industrial Revolution.
8:30-9:30	Student logs into Biology class, reviews the day's assignments, reads the lesson, completes a submits a quiz, begins reviewing for the next day's lab	2:30-3:00	Break
9:30-10:30	Student logs into Music Appreciation class, review's assignments, reads through the lesson, listens to and takes notes on the music presented, records thoughts and analysis in online journal	3:00-3:30	Piano practice- this will be recorded the next day in the Music Appreciation course as music practice.
10:30-11:00	Student goes to Geometry office hours in Elluminate (web based conferencing) to review the math problems with the teacher from yesterday's lesson in preparation for today's quiz. Student is joined by other Geometry students and after review, students play a quick round of Geometry jeopardy.	4:00-5:00	Swim practice with the Sharks Swim Team- this will be recorded tomorrow in the PE class as the day's exercise in the PE log.
11:00-11:30	Student logs into PE, reviews the day's assignments, reads the lesson, and records yesterday's exercise in the PE journal log.	5:00-6:00	Student reviews day's work with Mom and Dad. Reviews K-Mails from the latter half of the day, check on grades, show parents the brainstorming map from English and the submitted time line from History
11:30-12:00	Lunch break	6:00-7:00	Dinner

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Detailed List of the Services Offered by K¹² to Utah Virtual Academy
(Information requested from and prepared by K¹²/UTVA)

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A. Educational and Related Products:

1. Online School: K¹² provides the K¹²® Curriculum via the Online School (OLS) for grades kindergarten through eleventh. All UTVA students take the core subjects of Language Arts, Math, Science, History, Art and Music. K¹² also makes available to the school test preparation programs developed in-house (e.g. Strategies for Success) and provided by third parties (e.g. Study Island, Scantron). Parents/guardians/learning coaches are given access to the OLS via a unique username and password.
2. Instructional Tools and Materials: K¹² also provides instructional tools and supplies necessary to deliver the Educational Program, including textbooks, manipulatives (such as counting cubes and phonics tiles), science equipment for experiments, CD's, DVD's, musical instruments, etc. Materials are shipped directly to the student's home after an enrollment is approved and the student is placed into his/her K¹² courses.
3. Computers K¹² also provides computers, monitors, software and other hardware as necessary to deliver the Educational Program. K¹² provides students with a 512MB hard-drive computer, including all necessary peripherals to participate fully in the program (e.g. microphones and printers).

B. Administrative Services:

1. Educational Program Consulting. Propose and develop educational goals, curriculum, methods of pupil assessment, and student recruitment policy. K¹²'s recommendations for the Educational Program are consistent with applicable federal and Utah law and the UTVA charter agreement and application.
2. Personnel Management. Management of all personnel providing Educational Products, Administrative Services, and Technology Services. Management of all of UTVA teachers including recruiting; hiring; reference, certification and background checks; securing of payroll services; negotiation, securing and management of health, retirement and other benefits.
3. Business Administration. Administration of all business aspects and day-to-day management of the Program. These services shall include:
 - a. Provide school administrative staff as appropriate to manage the UTVA Program;
 - b. Work with UTVA's counsel, if any, on legal matters affecting the UTVA program;
 - c. Preparation of forms, operations manuals, handbooks, guides, and policies and procedures as necessary;
 - d. Assist with local, state, and federal reporting requirements for UTVA students;
 - e. Arrange contracts with school districts, education services centers, and professional service providers for special education, testing and other support

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Detailed List of the Services Offered by K¹² to Utah Virtual Academy
(Information requested from and prepared by K¹²/UTVA)

Exhibit B
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- services for UTVA students;
 - f. Establish and implement policies and procedures to maintain proper internal controls; and
 - g. Provision of such other administrative and consulting services as agreed in writing by the parties from time to time.
4. Maintenance of Financial and Student Records.
- a. K12 maintains accurate student records pertaining to students enrolled in UTVA in the manner required by Applicable Law, and retain such records on behalf of UTVA until K¹²'s management of the program ends, at which time such records will be retained by and become the sole responsibility of UTVA
 - b. Ensure accessibility of UTVA records to UTVA, its independent auditor and the State for completion of audits required by Applicable Law or by the Charter.
5. Pupil Recruitment. Recruitment of students, including creation, design and preparation of recruitment materials and advertisements; assist with demand creation for UTVA and its information sessions and other events via mail, e-mail, newspapers, magazines, journals, radio, television, community forums, town hall meetings, and other forms of communication and outreach on UTVA's behalf; develop community outreach strategy and connect with local organizations. Design school recruitment materials, letterhead, business cards, and logos to create school identity.
6. Admissions. Implementation of UTVA's admissions policy, including management of the application and enrollment process; creation, design and publication of the school's applications and enrollment packages; and communicating with potential students and their families and assisting families through the enrollment process; conduct random lottery if required due to an enrollment cap.
7. Family Services. Plan and arrange school orientation sessions; represent the school at conferences and other events. Field and respond to incoming calls, letters, faxes, and e-mails about UTVA, its curriculum, the application/enrollment process, instructional materials, etc. Conduct focus groups, surveys, interviews, observation sessions, and/or user testing on the OLS to obtain feedback on how to improve UTVA and the K¹² curriculum. Create "feedback buttons" on lessons so that Students, their parents, and teachers may submit comments and suggestions; respond to suggestions and implement improvements where K12 deems them to be valuable. Conduct exit interviews with those students and their parents who withdraw in order to learn more about how to improve the school for students. Create and distribute a parent manual and/or student handbook which includes a starting kit for logging onto the OLS. Assist with the design and implementation of parent orientation sessions.

Utah Virtual Academy Operations Audit

Detailed List of the Services Offered by K¹² to Utah Virtual Academy
(Information requested from and prepared by K¹²/UTVA)

Exhibit B
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8. Student Discipline. Provide necessary information and cooperate with UTVA on the handling of all student disciplinary matters, including without limitation attendance and truancy matters.

9. Teacher Training and Professional Development. Create teacher training materials for new and returning teachers. Sponsor administrators and teachers to attend the K¹² National Teacher Training Conference (held August 5-7 in Chantilly, VA, for the 2007-08 school year). Administer a discussion board or other tool to permit UTVA teachers to post questions or receive feedback on any topics relating to the role of a virtual school teacher and obtain answers/feedback from K12 personnel and/or teachers at other programs using the K12 curriculum. Produce, design, and disseminate a teacher training manual to all the teachers, and an administrator manual for the UTVA administrators, as needed. Design and deliver comprehensive teacher training on the curriculum, technological systems, policies and procedures, and more. Design and deliver orientation sessions with the school administration, including curriculum, technological systems, policies and procedures, and more. Support teachers as they connect with Students and their parents via email and phone. Topics covered in teacher training may include:
 - What is K12?: Learn the K12 Philosophy and explore the relationship between K12 and your school. Get a close up look at a day in the life of a virtual schooling family.
 - The K12 Curriculum: Hear an overview of each the courses in the K12 curriculum from K12's own course creators. Use Quicknotes, K12's own "cheat sheet" to navigate through K12 courses.
 - The Job of Virtual Teachers: Compare the job of virtual teaching to traditional classroom teaching. Examine the roles of virtual teachers as partners and resources for virtual schooling families. Working with adults will be discussed.
 - The Virtual School Community: Discuss strategies for connecting students and families in your school including community building tools, parent training workshops, outings for students and families, and student activities such as clubs.
 - The Online School: Spend time getting to know the parts of a K12 lesson in each of the curricular areas.
 - Measuring Student Progress: Student progress begins with appropriate placement in the K12 curriculum. Explore K12 placement tests and the role of the teacher and parents in determining student placement. Practice using tools to measure, document, and report student progress and identify "red flag" students. Student learning plans and procedures for recommending promotion will be discussed.
 - Communication in the Virtual School: The key trait for a virtual teacher's success is excellent communication skills. Role play a parent conference call and practice

Utah Virtual Academy Operations Audit

Detailed List of the Services Offered by K¹² to Utah Virtual Academy
(Information requested from and prepared by K¹²/UTVA)

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communicating effectively through email. Discuss how to deal with sensitive information in teacher-family interactions.

Working at a Distance: A virtual workplace has its challenges. Learn strategies for feeling connected, not disconnected and valuable tips and tricks for managing the job. Benefit from experienced teachers in the virtual field!

Standardized Testing: Procedures for scheduling and conducting standardized testing will be discussed. Examine K12 resources for standardized testing including test prep courses and view practice items from USOE.

10. Instructional Property Management. Create policies and procedures regarding the responsible use of computer equipment and other instructional property.
11. Additional Administrative Services. Any other services as agreed to in writing by the parties from time to time.

C. Technology Services:

1. 24-7 monitoring of production services, i.e., OLS, School Website, Student Account Management System (“SAMS”) and;
2. Monitor and analyze system data, to fix production issues as they may arise;
3. Generate reports on pupil academic performance, attendance and progress;
4. Train school staff, and parents and students, as appropriate and necessary, on technology systems;
5. Develop, design, publish, and maintain the UTVA interactive web site;
6. Generate reports e.g., omnibus report, demographic reports, etc.;
7. Develop community tools on the UTVA web site and K12 platform (including password protected threaded discussion and message boards, moderation functionality, directories, etc.);
8. Determine hardware configurations (including software and operating systems) for the school’s technology needs;
9. Provide onsite and telephone support for UTVA administration in troubleshooting system errors, and telephone support for students;

Utah Virtual Academy Operations Audit

Detailed List of the Services Offered by K¹² to Utah Virtual Academy
(Information requested from and prepared by K¹²/UTVA)

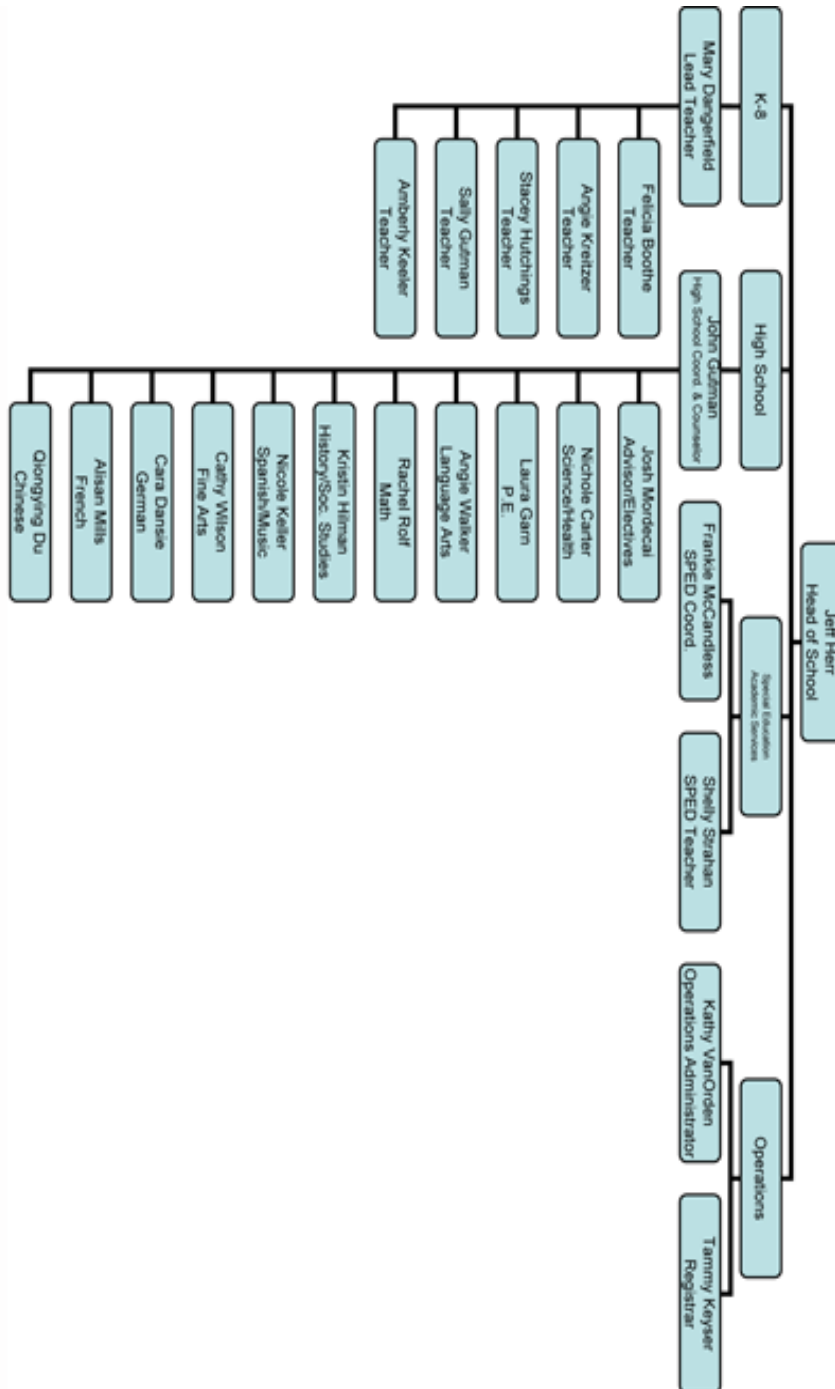
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10. Propose adoption of policies and procedures regarding the responsible use of computer equipment and other school property;
11. Support teachers in answering technology-related questions from students, parents, teachers, and administrators;
12. Install software to generate master image of computer configurations for teachers, administrators, and students in order to standardize the user experience
13. Ensure electronic security of student records (through the use of encryption, firewalls, etc.)
14. Provide a Web-filtering device to ensure that students do not have access to inappropriate materials on the Internet;
15. Prepare for, supervise, and implement all system roll-overs at the end of each academic year;
16. Provide online enrollment, registration and placement services;
17. Provide school email accounts for school employees;
18. Provide customer care and technology support services on OLS, computer and software issues;
19. Oversee changes to Customer's web site to maintain quality assurance and make sure that there are not "version control" problems;
20. Coordinate security, creative, and content issues pertaining to the web site;
21. Handle troubleshooting issues for the school's web site and send issues to the appropriate person or division for resolution

Utah Virtual Academy Operations Audit

Position Description and Staff Biographies
 (Information requested from and prepared by K12/UTVA)

Exhibit C
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Utah Virtual Academy Operations Audit

Position Description and Staff Biographies
(Information requested from and prepared by K12/UTVA)

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Position Descriptions:

Head of School

Major responsibilities include:

- Act as chief administrative officer and superintendent
- Act as chief liaison to the school governing body, the State Charter Board, USOE and K12
- Ultimate responsibility for K12 school-based management team
- Responsible for implementing school mission, vision, strategic planning
- Oversee academic and operational aspects of the school
- Manage legal issues
- Oversee school marketing, enrollment and PR
- Oversee staff orientations
- Work with K12 to ensure that processes and communication between the school and K12 are in place
- Implement the school's policies and oversee the writing of its handbooks
- Responsible for ensuring that school compliance and reporting requirements are met in an accurate and timely manner (including school report cards and all state and federal reports)
- Ensure that the school is complying with local, state, and federal laws regarding special education
- Prepare and oversee annual budget
- Understand the state Chart of Accounts
- Understand all K12 systems
- Promote the school and its interests with political, education, and civic leaders across the state
- Develop and maintain relationships with districts, education stakeholders, and the state
- Organize and lead student recruitment events across the state

Operations Administrator

Major responsibilities include:

- Coordinate all operational aspects of school operations
- Responsible for school compliance with local, state, and federal reporting requirements
- Manage development of school policies and procedures
- Manage school metrics reporting to K12 corporate
- Coordinate with teachers and K12 Enrollment regarding expulsions and withdrawals
- Coordinate student placement during enrollment/re-enrollment efforts

Utah Virtual Academy Operations Audit

Position Description and Staff Biographies
(Information requested from and prepared by K12/UTVA)

Exhibit C
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- Manage annual enrollment and re-enrollment efforts
- Manage annual state testing process and logistics
- Manage recruitment and hiring of administrative staff
- Oversee the implementation of the school's truancy and attendance policies
- Support academic leaders with teacher recruitment and hiring efforts
- Responsible for school administration meetings (business-related topics)
- Work with Manager of Special Education and academic leaders to ensure that the school is meeting the needs of students while complying with local, state, and federal laws regarding special education
- Organize and oversee parent and student orientations
- Manage issues pertaining to technology, materials delivery, enrollment, and customer service back to K12 for process improvement.
- Act as point-of-contact on reporting issues
- Manage school data in state and K12 databases
- Organize and oversee student hearing and vision screening
- Create and maintain staff/teacher data management tools

Special Education Manager

Responsibilities include:

- Develop and implement all special education procedures
- Recruit, train, supervise and evaluate special education teachers
- Create and maintain appropriate contacts with districts, county superintendents, and state special education leaders
- Develop and disseminate "best practices" for special education in the virtual school setting
- Train all teachers in special education procedures, focusing on identification
- Implement the use of adaptive technology to meet the needs of our students
- Develop contacts with special education providers
- Oversee all special education reporting
- Design and implement a school-wide pre-referral process
- Oversee the development and maintenance of all IEPs
- Oversee all school, local, state, and federal compliance reporting
- Alert the Head of School of all changes in local, state, and/or federal special education practices and laws
- Work directly with parents and students (both regular and special education) where necessary
- Ensure that special education students are an integrated part of the school's fabric
- Work through the Head of School with the school's attorney on legal and compliance issues

Utah Virtual Academy Operations Audit

Position Description and Staff Biographies
(Information requested from and prepared by K¹²/UTVA)

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- Travel, as required, to support students and districts in implementation of special education program
- Manage the special education budget

High School Coordinator

Major responsibilities include:

- Serve as a liaison between the academic leaders, high school teachers and the head of school
- Coordinate communication and project assignment for high school teachers
- Implement high school mission, vision, strategic planning
- Coordinate all academic aspects of the high school
- Implement high school policies and oversee the writing of its handbooks
- Responsible for ensuring that high school compliance and reporting requirements are met in an accurate and timely manner
- Support the creation of a school community through newsletters, outings and discussion board postings
- Create general and formal student/teacher/parent communication mechanisms
- Recruit high school staff and students
- Contribute to budgeting and long term planning

Lead Teacher Job Description

The tasks and responsibilities listed below (as well as others as new needs arise) will be distributed among the Lead Teachers in as even a manner possible. Lead Teachers' individual strengths and areas of interests will be taken into account in the distribution of responsibilities.

- Intervention Coach for assigned subject areas (subject area assignments are subject to change from year to year and also within the school year)
 - Work with Specialist Team(s) utilizing State Content Standards with Limits and State Test data to develop Scope and Sequence for assigned subject area(s) for each Phase of intervention.
 - Assign intervention students to Specialist Teachers within assigned subject area.
 - Work with Specialist Team(s) to create and manage Individual Learning Plans for intervention students.
 - Assist Specialist Teachers throughout each phase of intervention
 - Hold bi-weekly team meetings
 - Hold bi-weekly Coach/Specialist meetings with each Specialist on your team
 - Provide subject area resources to Specialists

Utah Virtual Academy Operations Audit

Position Description and Staff Biographies
(Information requested from and prepared by K12/UTVA)

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- Observe intervention classes and provide constructive feedback to Specialists
- Create pre, mid-phase, and post assessments, as needed
- Contact Parents/Learning Coaches of students not attending intervention class
- Support Specialists
- Promote enthusiasm, unity, and positive productivity within the staff of Idaho Virtual Academy
- Work with teachers and administration on Red Flag student/family situations.
- Assist in the development and implementation of new teacher training
- Check “in year” student promotions and changes in placements for accuracy
- Assist teachers with home set up; trouble shooting; start-up; year-end transition, curriculum questions, policy and procedure questions, etc.
- Coordinate back to school parent orientations/Discovery Days
- Participate in planning and attending regional outings
- One Lead Teacher will function as the IDVA Weekly Information Note Manager (disseminate all weekly information to Team IDVA) (LTs will rotate year to year)
- Coordinate and assist in developing Professional Development meetings in each region
- Teacher leader
- Manage class load of 30 students
- Assist with developing and implementing various projects
- Other duties as needed/requested

Lead Teacher Requirements

This is a quasi-administrative role. The Lead Teacher must understand the goals of the senior administrative team and be able to work to implement those in a positive, thoughtful manner that considers the needs of the organization. The Lead Teacher will be in a unique position to see both the needs of the teaching staff and the administrative staff. S/He must be able to work as a member of both the teaching and administrative teams even though these roles might at times seem contradictory. A Lead Teacher will be held to the highest standards of professionalism. S/He will have and effectively use:

Registrar/Administrative Assistant

Major responsibilities include:

- Support administrators with local enrollment process
- Process student withdrawals
- Fulfill records requests for withdrawn students
- Request and track receipt of records for newly enrolled students.
- Maintain the K12 and state student-level database
- Maintain student cumulative files and other student records

Utah Virtual Academy Operations Audit

Position Description and Staff Biographies
(Information requested from and prepared by K12/UTVA)

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- Establish secure access to student records
- Assist in the preparation of progress reports
- Assist in school-wide mailings
- Assist in the preparation and maintenance of transcripts
- Manage all incoming calls and the telephone system as a whole
- Greet guests who visit the office
- Assist with inventory and maintenance of all office equipment, supplies, and services
- Set up conference calls, meetings and office functions both on and off-site
- Coordinate special events
- Create and maintain administrative calendars in Outlook, as needed
- Check-in, track faxes and distribute to site-based staff
- Coordinate all incoming/outgoing package processes on-site (Fed-Ex, UPS, courier service)
- Sort and distribute mail, maintain stamps, mailing and package shipment supplies
- Keep all conference rooms, kitchen and general traffic areas in order
- Distribute school-wide communications approved by administrative team

Staff Biographies:

Jeffrey Herr is very excited to be the head of school for the Utah Virtual Academy. He is entering his 17th year as an educator, 14th as an administrator. He has been a principal and assistant principal at all three educational levels. He spent most of his career in the Salt Lake City School District. His last assignment was as the principal of the Open Classroom Charter School, a district dependent charter school associated with the Salt Lake City School District. Before becoming an educator, he was a banker. He earned a bachelor's degree from Weber State University and a master's degree in educational administration from the University of Utah.

John Gutman is the high school coordinator and high school counselor for the Utah Virtual Academy. He earned a bachelor's degree in journalism and mass communication from the University of Utah. After working for 12 years for the Salt Lake Tribune as a writer/editor, he received his teacher certification in special education from Utah State University. He is working toward a master's degree in special education and a certificate in administration/supervision from Utah State. John has been in education for 18 years in Utah schools as a teacher, principal/administrator, counselor, coach and athletic director.

Kathy VanOrden is the operations administrator for Utah Virtual Academy. She has a bachelor's degree in business administration from the University of Phoenix. Kathy worked for the Salt Lake City School District for the past 12 years. Upon leaving the district, she went to work at the University of Utah as an executive assistant for the senior vice president's office. While working at the U of U, she was contacted by the head of

Utah Virtual Academy Operations Audit

Position Description and Staff Biographies
(Information requested from and prepared by K12/UTVA)

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school for UTVA and asked to come work for K12. Kathy loves her new job with UTVA/K12 and looks forward to many years with this exciting new job.

Frankie McCandless is Utah Virtual Academy's Special Education Coordinator. She has been an educator for 29 years all in the special education field. She is a multiple award winner including being a past winner of the prestigious Huntsman Award. She is a graduate of the University of Utah earning a bachelor's degree and two master's degrees in special education and educational administration.

Mary Dangerfield is in her fourth year of teaching and is the Lead K-8 teacher. She is passionate about reaching the needs of gifted and talented students and is in the process of obtaining her endorsement in that area. A graduate of Brigham Young University, she has most of her experience in second grade but has worked with students from all grades K-8. Mary is full of energy and takes pride in making even the most trivial assignment seem fun, useful and engaging for her students.

Tammy Keyser is the registrar and administrative assistant for Utah Virtual Academy. As a Registrar/Administrative Assistant for Utah Virtual Academy, Tammy oversees student records and processes all requests for withdrawals, course changes and CUM files. Prior to joining Utah Virtual Academy, Tammy worked at Salt Lake Community College with Student Services and has extensive knowledge of transcripts, schedules and human resources, having worked in the human resource area for over 8 years. Tammy enjoys working with students and staff in achieving academic and personal goals and successfully achieving them. Tammy has attended University of Utah and Salt Lake Community College studying Business Administration.

Utah Virtual Academy Operations Audit

K¹² Charges and Credits

Exhibit D

(Information requested from and prepared by K¹²/UTVA)

**Utah Virtual Academy
K12 Charges Credits
Fiscal Years 2009, 2010 and 2011**

	<u>2008-09</u>		<u>2009-10</u>		<u>2010-11</u>
On line school	\$ 796,271	\$	2,143,933	\$	3,431,028
Materials	\$ 437,611	\$	1,159,059	\$	1,832,779
Student Computers	\$ 148,910	\$	381,100	\$	579,273
Technology Fees	\$ 128,153	\$	341,562	\$	548,767
Admin. Fees, net	\$ 410,089	\$	1,092,999	\$	1,756,054
Total	\$ 1,921,034	\$	5,118,654	\$	8,147,901
Credits Issued	\$ 412,938	\$	942,842	\$	1,321,604
Net K12 Charges	\$ 1,508,096	\$	4,175,812	\$	6,826,296

Utah Virtual Academy Operations Audit

Projected Budget

Exhibit E

(Information requested from and prepared by K¹²/UTVA)

**Utah Virtual Academy
Projected Budget
Fiscal Years 2009, 2010 and 2011**

	FY2009	FY2010	FY2011
Funding			
Regular Education Funding	\$ 2,330,028	\$ 6,388,841	\$ 10,420,276
Special Education Funding	\$ 130,341	\$ 339,716	\$ 555,061
Start Up Grants	\$ 102,689	\$ 102,689	\$ -
Total Funding	\$ 2,563,058	\$ 6,831,246	\$ 10,975,337
Direct Instruction Costs			
Teachers			
Salary and incentives	\$ 547,917	\$ 1,576,805	\$ 2,558,790
Benefits	\$ 104,944	\$ 302,009	\$ 490,091
Curriculum, Books & Instructional materials	\$ 61,449	\$ 144,496	\$ 210,215
Teacher computers and ISP	\$ 37,850	\$ 54,691	\$ 66,451
Teacher Training & Professional Development	\$ 34,667	\$ 68,744	\$ 85,160
Teacher travel & reimbursable expenses	\$ 54,051	\$ 126,125	\$ 187,845
Misc. Instructional Materials & Supplies	\$ 6,267	\$ 14,623	\$ 21,779
Software Licenses	\$ 5,000	\$ 5,000	\$ 5,000
Total Instruction - Teachers	\$ 852,145	\$ 2,292,495	\$ 3,625,331
Students			
Proctored Exams & Test Administration	\$ 59,088	\$ 151,222	\$ 229,858
Curriculum, Books & Instructional materials	\$ 1,172,434	\$ 3,158,495	\$ 5,053,593
Computer, Peripherals, & Software and ISP	\$ 197,193	\$ 513,775	\$ 795,798
Technology Services	\$ 29,834	\$ 117,076	\$ 234,099
Special Ed Contracted Svcs & Other Related Exp.	\$ 14,541	\$ 40,348	\$ 66,493
Field Trips, Hybrid Program and School Events	\$ 12,200	\$ 29,574	\$ 45,304
Total Instruction - Students	\$ 1,485,290	\$ 4,010,491	\$ 6,425,145
Total Direct Instruction Costs	\$ 2,337,435	\$ 6,302,986	\$ 10,050,475
<i>% of Total Funding</i>	91.2%	92.3%	91.6%
Administration & Governance			
Educational Services	\$ 95,470	\$ 374,644	\$ 749,118
Legal and Audit Services	\$ 7,500	\$ 10,150	\$ 12,805
Payroll Services	\$ 5,392	\$ 5,553	\$ 5,720
Board Development & Training	\$ 2,500	\$ 2,625	\$ 2,756
Administrator travel & reimbursable expenses	\$ 22,500	\$ 24,750	\$ 27,225
Rent, maintenance & utilities	\$ 57,928	\$ 63,105	\$ 68,781
Copier / Fax Lease	\$ 8,500	\$ 11,475	\$ 14,344
Office Postage and Shipping	\$ 3,500	\$ 4,725	\$ 5,906
Office supplies and equipment	\$ 4,000	\$ 5,400	\$ 6,750
General Liability Insurance	\$ 15,000	\$ 22,500	\$ 28,125
Depreciation	\$ 3,333	\$ 3,333	\$ 3,333
Total Administration & Governance	\$ 225,623	\$ 528,260	\$ 924,862
<i>% of Total Funding</i>	8.8%	7.7%	8.4%
Total School Costs	\$ 2,563,057	\$ 6,831,246	\$ 10,975,338
Surplus (Deficit)	\$ 0	\$ 0	\$ 0

Utah Virtual Academy Operations Audit

Break Even Analysis

Exhibit F

(Information requested from and prepared by K¹²/UTVA)

Utah Virtual Academy Break Even Analysis @ \$5600

AVERAGE ENROLLMENT	3,000	\$/Per Student
Funding		
Regular Education Funding	\$ 16,175,503	\$ 5,392
Special Education Funding	\$ 603,696	\$ 201
Start Up Grants	\$ -	\$ -
Total Funding	\$ 16,779,199	\$ 5,593
Direct Instruction Costs		
Teachers		
Salary and incentives	\$ 2,763,520	\$ 921
Benefits	\$ 527,940	\$ 176
Curriculum, Books & Instructional materials	\$ 327,223	\$ 109
Teacher computers and ISP	\$ 190,975	\$ 64
Teacher Training & Professional Development	\$ 178,000	\$ 59
Teacher travel & reimbursable expenses	\$ 277,725	\$ 93
Misc. Instructional Materials & Supplies	\$ 32,200	\$ 11
Software Licenses	\$ 5,000	\$ 2
Total Instruction - Teachers	\$ 4,302,582	\$ 1,434
Students		
Proctored Exams & Test Administration	\$ 374,338	\$ 125
Curriculum, Books & Instructional materials	\$ 7,078,512	\$ 2,360
Computer, Peripherals, & Software and ISP	\$ 1,108,131	\$ 369
Technology Services	\$ 838,960	\$ 280
Special Ed Contracted Svcs & Other Related Exp.	\$ 86,322	\$ 29
Field Trips, Hybrid Program and School Events	\$ 12,200	\$ 4
Total Instruction - Students	\$ 9,498,463	\$ 3,166
Total Direct Instruction Costs	\$ 13,801,045	\$ 4,600
<i>% of Total Funding</i>	82.3%	
Administration & Governance		
Educational Services	\$ 2,684,672	\$ 895
Legal and Audit Services	\$ 7,500	\$ 3
Payroll Services	\$ 5,392	\$ 2
Board Development & Training	\$ 2,500	\$ 1
Administrator travel & reimbursable expenses	\$ 22,500	\$ 8
Rent, maintenance & utilities	\$ 57,928	\$ 19
Copier / Fax Lease	\$ 8,500	\$ 3
Office Postage and Shipping	\$ 3,500	\$ 1
Office supplies and equipment	\$ 4,000	\$ 1
General Liability Insurance	\$ 20,000	\$ 7
Total Administration & Governance	\$ 2,816,492	\$ 939
<i>% of Total Funding</i>	16.8%	
Total School Costs	\$ 16,617,537	\$ 5,539
Surplus (Deficit)	\$ 161,663	\$ 54

EDUCATIONAL PRODUCTS AND SERVICES AGREEMENT

Between the
Utah Virtual Academy
and
K12 Utah L.L.C.

This EDUCATIONAL PRODUCTS AND SERVICES AGREEMENT (“Agreement”) is made and entered into, by and between the Customer identified below (“Customer”) and K12 Utah L.L.C. (“K12”) as of the date signed by K12, and includes the following exhibits:

- a. Terms and Conditions of Product Delivery and Services
- b. Exhibit A (Products and Services)
- c. Exhibit B (K12 Proprietary Marks)

Capitalized terms used herein but not otherwise defined will have the meaning ascribed to them in Section 8.

Customer Information		K12 Information	
Contact:	Lori Harmon President	Account Rep:	Allison Cleveland until first day of school; Mary Gifford thereafter
Organization	Utah Virtual Academy	Phone	703-483-7170/ 602-750-1679
Street/PO:	983W 10550S	Fax	703-483-7330
City	South Jordan	E-mail	acleland@k12.com/mgifford@k12.com
State	Utah		
Zip	84095		
Email			
Entity Type: <input type="checkbox"/> SEA <input type="checkbox"/> LEA <input checked="" type="checkbox"/> Non-profit Charter School <input type="checkbox"/> Private School <input type="checkbox"/> Other: _____			
Educational Program Type: <input checked="" type="checkbox"/> Distance Learning Educational Program. <input type="checkbox"/> Distance Learning with Supplemental Classroom-based Instruction Educational Program <input type="checkbox"/> Classroom-based Program.			
Name of Program or School in which products and services will be used: The Utah Virtual Academy			
Billing Contact information (required for all accounts)			
Billing Name:	Ken Anderson Treasurer	Billing Email:	serkul@mail.com
Billing Address:	TBD		
Billing City:		Billing State and Zip	

By signing below, I accept the Products and Services and prices above and have read and understood, and agree to be bound by, all terms and conditions of this Agreement, as well as other applicable K12 agreements or policies which are incorporated therein by reference. I am a duly authorized officer, partner or principal with full authority to enter into this Agreement on Customer’s behalf.

Customer	Utah Virtual Academy	K12 Utah L.L.C.
By:	_____	By: _____
Name & Title:	Lori Harmon, President	Name & Title: _____
Date:	_____	Date: _____

1. K12 Products and Services.
 - 1.1. Description of Educational Products. For each school year during the Term, K12 and Affiliates shall license to Customer, for use in its Program, on a non-exclusive, non-assignable basis, the K12® curriculum (a/k/a Online School or OLS), instructional tools and other products for an Educational Program, as described in Exhibit A, during the term of this Agreement (the "Educational Products"). During the Term, the parties may agree that K12 and Affiliates shall license additional Products (e.g., additional curriculum, supplementary curriculum, and/or educational programs) beyond those listed in Exhibit A, in the event that Customer has sufficient funds to purchase the additional Products or K12 agrees to otherwise provide. Provision of additional Products will be agreed to in writing as an addendum to this Agreement and shall be governed by the terms of this Agreement.
 - 1.2. Description of Services. K12 and Affiliates shall provide Customer with the services, as described in Exhibit A, during the term of this Agreement (the "Services"). During the Term, the parties may agree that K12 and Affiliates shall provide Customer with additional Services beyond those listed in Exhibit A, in the event that Customer has sufficient funds to purchase the additional Services or K12 agrees to otherwise provide. K12's provision of additional Services will be agreed to in writing as an addendum to this Agreement and shall be governed by the Terms of this Agreement.
 - 1.2.1. Place of Performance. Performance of Services is not required to be rendered on Customer premises, unless specifically stated in Exhibit A.
 - 1.3. Standard of K12 Performance.
 - 1.3.1. General. It is understood by both parties that the services provided by K12 under this Agreement, will be provided to the extent deemed necessary and appropriate by K12 in its professional judgment and discretion to satisfy the requirements of Applicable Law, Customer's Charter, the Customer-Sponsor Agreement and the Sponsor's and Customer's policies.
 - 1.3.2. Confidentiality of Records. K12 will maintain the confidentiality of personnel, student and other records in accordance with the requirements of Applicable Law.
 - 1.3.3. Licensure or Other State Requirements. Except as otherwise provided in this Agreement or in the Charter, all personnel performing Administrative Services for K12 on behalf of Customer must comply with all applicable licensure or other requirements of the State and any regulations promulgated there under applicable to persons who perform such services.
2. Customer Responsibilities.
 - 2.1. Payment. For the Educational Products and Services, Customer shall compensate K12 at the rates and conditions set forth in this Agreement. It is Customer's responsibility to pay for all costs and expenses provided under this Agreement. The compensation provided for herein constitutes full consideration for the Products and Services.
 - 2.2. General Oversight. Customer will be responsible for monitoring K12's performance under, and compliance with, the terms of this Agreement.
 - 2.3. Customer Policies. The parties acknowledge and agree that in providing services hereunder, K12 will recommend various policies for the operation of Customer's Program and will implement procedures consistent with those policies, but that Customer retains ultimate responsibility for adopting policies and for overseeing K12's implementation of procedures consistent with those policies, such that the policies and their implementation are in compliance with Applicable Law. By way of example and without limiting the foregoing, Customer will approve the adoption of policies relating to the budget, authorization of expenditures, curriculum, admissions procedures, student conduct, school calendars, procedures for resolution of parent or student complaints and disputes between Customer and its employees, and the responsible use of computer equipment and other instructional property. Customer shall provide K12 written copies of all policies adopted by Customer and must notify K12 promptly in writing

of any changes to such policies adopted by Customer and shall provide K12 with copies thereof. Subject to Section 12.1.6, K12 must comply with any changes in such policies within thirty (30) days of its receipt of written notice and a copy thereof.

- 2.4. Financial Matters. In accordance with Exhibit A, except for any budget approved prior to the effective date of this Agreement, Customer will adopt an annual Program budget for each school year during the Term. Customer will not unreasonably withhold its approval of any budget or modifications thereto proposed by K12 and will review and act upon each such proposed budget and any such proposed modifications within thirty (30) days following the submission thereof by K12. Customer may request that K12 (i) prepare and submit reports on the Program's finances in addition to those financial reports required by Applicable Law or (ii) provide Customer with such other information as reasonably necessary and appropriate to enable Customer to monitor its performance under the Charter and related agreements, including the effectiveness and efficiency of the Program's operations. Any requests made by Customer hereunder shall be made in writing.
- 2.4.1. Audit. If not required to do so by Applicable Law, Customer will identify an audit firm and will arrange for an independent audit of the Program's financial condition on an annual basis. The cost of such audit shall be the responsibility of Customer.
- 2.4.2. Grants. In accordance with Section 5.3, Customer will review any recommendations made by K12 regarding the solicitation by K12 on behalf of Customer for grants and donations from public funds through competitive grant processes or from private sources and will approve or disapprove of such solicitation. To the extent required by Applicable Law, Customer will supervise the administration of grant funds from third parties and ensure that such grant funds are used in accordance with applicable statutory and regulatory requirements and the terms of the pertinent grant agreements.
- 2.5. Annual Reports to Sponsor. Customer, with the assistance of K12, will provide the Sponsor on an annual basis a report setting forth the information required by the Charter and /or Applicable Law.
- 2.6. Employment of Teachers. In accordance with Section 6.2.1.2, unless otherwise agreed in writing by K12 and Customer, Customer will employ teachers for the Program and will be responsible for all costs associated with their employment (including, without limitation, salaries, benefits, travel, phone, professional development and other teacher related expenses). Customer will review recommendations made by K12 regarding the hiring or dismissal of teachers by Customer, but will have the authority to determine in its sole discretion whether any person to be employed by Customer as a teacher shall be hired or any teacher employed by Customer shall be dismissed. In the case where the parties agree that K12 will employ the teachers, and without violating Applicable Law, K12 will have the authority to determine in its sole discretion whether any person to be employed by K12 as a teacher shall be hired or any teacher employed by K12 shall be dismissed. Customer may hear appeals to disciplinary measures imposed by K12 on teachers employed by Customer, and Customer may also formulate and implement binding decisions on disciplinary matters relating to teachers employed by Customer.
- 2.7. Compliance with Applicable Law. Customer will perform its obligations under this Agreement in a manner consistent with the requirements of Applicable Law, the Charter, the Customer-Sponsor Agreement and the Sponsor's and Customer's policies. Without limiting the generality of the foregoing, Customer will maintain the confidentiality of personnel, student and other records in accordance with the requirements of Applicable Law.
- 2.8. School Expenses. Customer will be responsible for all debts, liabilities, and obligations incurred by Customer and by K12 on behalf of Customer's Program (collectively, "School Expenses"). School Expenses shall include but not be limited to the following:
- 2.8.1. fees payable to the Sponsor, if any;
- 2.8.2. fees payable to K12 and its Affiliates under this Agreement;
- 2.8.3. legal fees for representation of Customer;

- 2.8.4. directors' and officers' liability insurance, general liability insurance, worker's compensation coverage and other insurance coverage;
 - 2.8.5. accounting, payroll processing, audit, and/or tax preparation fees for Customer;
 - 2.8.6. use, sales, income taxes, if any;
 - 2.8.7. fees for required background investigations of Customer personnel;
 - 2.8.8. Facility expenses (e.g., rent, maintenance, office furniture, supplies, servers, etc.);
 - 2.8.9. teacher training and materials, including facility rental, travel and other reimbursable expenses;
 - 2.8.10. ongoing teacher professional development expenses, including travel and other reimbursable expenses;
 - 2.8.11. administrative staff offices, related office expenses, travel, and other reimbursable expenses;
 - 2.8.12. student support staff salaries, benefits, travel, phone, conferences, and other reimbursable expenses;
 - 2.8.13. teacher salaries, benefits, travel, phone, conferences, and other reimbursable expenses;
 - 2.8.14. Internet service provider reimbursement to students, teachers and administrators;
 - 2.8.15. proctored examinations to include proctor costs, facilities travel and other reimbursable expenses;
 - 2.8.16. school outings and events;
 - 2.8.17. direct mail expenses for enrolled Students;
 - 2.8.18. related services expenses for special education students;
 - 2.8.19. annual report and Charter renewal expenses;
 - 2.8.20. other fees and/or expenses involved in oversight of Customer or K12 under this Agreement; and
 - 2.8.21. all other discretionary expenses approved in the budget by Customer from time to time, subject to Section 5.1.
- 2.9. Customer agrees that its students will exclusively use, unless prohibited by Applicable Law, the Educational Product as the primary curriculum for the Initial Term and any Renewal Terms, in exchange for the pricing described in this Agreement. In recognition of Customer's nondelegable legal obligation regarding selection of curriculum, Customer may use alternative curriculum to supplement, not supplant, the Product when Customer determines that the Products alone may not provide a Free, Appropriate Public Education ("FAPE") to a Student, or use another curriculum *in toto* in the event a properly assembled and qualified Individual Education Plan team determines, in compliance with the Individuals with Disabilities Education Act, Section 504 of the Rehabilitation Act and all other Applicable Law, that another curriculum is necessary to provide special education students with FAPE.
3. Term Of Agreement.
- 3.1. Effective Date. This Agreement shall not take effect until:
 - 3.1.1. The Sponsor has approved Customer's Charter application; and
 - 3.1.2. The Utah Board of Education has ratified the Sponsor's approval of the Charter application; and
 - 3.1.3. Customer and the Sponsor enter into a Charter Agreement on terms acceptable to Customer; and
 - 3.1.4. K12 agrees that it can comply with the terms of the Customer-Sponsor Agreement without undue financial burden.In the event that one or more of the foregoing conditions are not satisfied, neither party shall be bound by this Agreement.
 - 3.2. Term. This Agreement will become effective [at the time Section 3.1 is satisfied/ upon signature ("Effective Date")] and will end on June 30, 2018 ("Initial Term") unless sooner terminated under Section 12 of the Agreement.

3.3. Renewal. Following the Initial Term, this Agreement will automatically extend for successive additional periods of two (2) year(s) (each such period a “Renewal Term”), unless (a) either party provides the other with written notice of non-renewal at least two (2) years before the expiration of the then-current Initial Term or Renewal Term (as applicable); or (b) the Agreement is sooner terminated under Section 12. The Initial Term and any Renewal Terms will be referred to collectively as the “Term.”

4. Pricing and Payment

4.1. Educational Product Prices. In consideration of the value of the Educational Products provided by K12, Customer will pay K12 and its Affiliates for the Educational Products based on the then current national pricing for K12 Managed Virtual Schools (“Product Price List”). Notwithstanding anything in this Agreement to the contrary, for each Educational Product set forth in the Product Price List, the fees for such Educational Products will be subject to change, no more than once per calendar year, at K12’s reasonable discretion.

4.2. Administrative Services Fee. In consideration of the value of the Administrative Services provided by K12, Customer will pay K12 and its Affiliates 17% percent of the Qualified Revenues for the Administrative Services (the “Administrative Services Fee”) for each year of the Term.

4.3. Technology Services Fee. In consideration of the value of the Technology Services provided by K12, Customer will pay K12 and its Affiliates 7% percent of the Qualified Revenues for the Technology Services (the “Technology Services Fee”) for each year of the Term.

4.4. Performance Incentive Fee. As an incentive for K12 to manage the Program at a Surplus while meeting certain educational goals, Customer will pay to K12 an incentive fee (the “Performance Incentive Fee”) as provided in this Section 4.4.

4.4.1. In no event will the Performance Incentive Fee exceed fifty percent (50%) of the Program’s Surplus in the year in which the Performance Incentive Fee will be paid.

4.4.2. Customer will pay the Performance Incentive Fee to K12 if the following conditions are met:

4.4.2.1. Customer’s Program has a Surplus for a given Fiscal Year during the Term, as evidenced by Customer’s audited financial statement for such Fiscal Year; and either

4.4.2.2. based on a survey of all Program parents conducted by K12, an unweighted average of ninety percent (90%) of Program families surveyed respond that they are Very Satisfied and Satisfied with the quality lesson content, age-appropriateness of content, instructional approach, quality of lesson materials, Planning and Progress tools, amount of time spent preparing for lessons, amount of time spent working on lesson, quality of hardware (computer, monitor, printer), delivery of shipped-in supplies (lesson materials, computer, etc.), support provided by virtual Customer teachers, support provided by Customer Care/Tech Support, the student’s progress, the student’s attitude toward learning (“Educational Experience Incentive”);

4.4.2.3. the Program achieves adequate yearly progress in those categories that serve a majority of Program students as defined by the No Child Left Behind of 2001. P.L. 107-110 (“Student Achievement Incentive”) (“Student Achievement Incentive”); or

4.4.2.4. the Program’s full year surplus as a percent of total funding, as evidenced by the Program’s audited financial statement for such Fiscal Year exceeds the previous year’s full year surplus as a percentage of total funding, evidenced by the Program’s audited financial, by a minimum of two (2) percentage points (“Fiscal Responsibility Incentive”).

4.4.3. Subject to the limitations set forth in this Section 4.5, the Performance Incentive Fee shall consist of the following components:

4.4.3.1. If one of the incentive measures set forth in Sections 4.5.2.2, 4.5.2.3 and 4.5.2.4 are met, one percent (1%) of Qualified Revenue.

- 4.4.3.2. If any two of the incentive measures set forth in Sections 4.5.2.2, 4.5.2.3 and 4.5.2.4 are met, two percent (2%) of Qualified Revenue.
- 4.4.3.3. If all three of the incentive measures set forth in Sections 4.5.2.2, 4.5.2.3 and 4.5.2.4 are met, four percent (4%) of Qualified Revenue.
- 4.5. The foregoing fees described in this Section 4 are in addition to and not duplicative of any fees payable by Customer to any Affiliate of K12 pursuant to any separate agreement between Customer and such Affiliate.
- 4.6. Except as otherwise set forth in this Agreement, K12 assumes the risk that its fees will not allow it to operate profitably or to cover fully the costs of business during any given period.
- 4.7. The parties hereto acknowledge and agree that as of the date of this Agreement, the fees payable to K12 hereunder are reasonable, necessary, and fair market value compensation for products and services delivered.
5. **Customer Advances and Deficits; Other Revenue.**
- 5.1. Advances. In the event that the cash receipts of the Program available from time to time (other than amounts payable to K12 pursuant to this Agreement, any other agreement between K12 and Customer or any agreement between any Affiliate of K12 and Customer) are insufficient to cover payment of School Expenses on a timely basis, K12 will advance to Customer from time to time such amounts as will be necessary to allow payment of such School Expenses on a timely basis provided that, K12 will have no obligation to make any advances to Customer in any Fiscal Year for expenditures (i) for any items that are in excess of the lesser of the amount proposed by K12 for the budget or the amount budgeted therefore in the approved budget or (ii) for any matters as to which K12 or any other person or entity is entitled to indemnification under Section 16. The advances will be due and owing to K12 by Customer forty-five (45) days after K12 advances the funds and subject to the interest provisions in Section 9.3.
- 5.2. Repayment of K12 Advances and Invoices. At the end of any fiscal year in which there are outstanding K12 advances and/or invoices (“Debt”), the Customer agrees to repay such Debt as follows: in any Fiscal Year that Customer’s Program has a Surplus after paying the then current year K12 and/or its Affiliates invoices, the Customer shall pay K12 and/or its Affiliates, an amount not to exceed 75% of the Surplus in that Fiscal Year to be applied to the Debt.
- 5.3. Deficits. In the event that the Program incurs a Deficit in any fiscal year and is unable to pay the resulting Debt in that period, K12 will forgive the corresponding Debt or the portion remaining at the end of two years.
- 5.4. Grants and Donations for the Customer. Customer and K12 may, together or independently, on behalf of the Program, solicit and receive grants and donations from public funds through competitive grant processes or through private sources consistent with the mission of Customer and the Charter; provided, however, that any solicitation of such grants and donations by K12 will be subject to the prior approval of Customer. For purposes of calculating the fees payable to K12 under Section 4, such grants and donations will be deemed to be included in “Qualified Revenues”.
- 5.5. Grants and Donations for K12. Nothing in this Section 5 will be construed to prohibit K12 from soliciting funds or grants solely for its own general corporate purposes and using such funds or grants solely for such purposes.
6. **General Personnel Responsibility.**
- 6.1. K12 Employees Assigned to the Program. To satisfy its obligations under this Agreement, K12 may assign employees to the Facility. K12 will employ and determine the employment terms for administrative personnel who may include a Head of School (“HOS”) or equivalent administrative staff position, and such other staff as K12 deems necessary to deliver the Educational Products and Services described in this Agreement. The responsibilities and performance of K12 employees will be consistent with those outlined in the Charter. Such

administrative personnel may be assigned to the Program on a full- or part-time basis. K12 will have the sole authority to select, supervise, evaluate, transfer, promote, discipline and dismiss the administrative staff. K12 will in good faith consider the advice and recommendations of Customer and that Customer may, upon request, interview the HOS candidate. Customer acknowledges and agrees that K12 is only obligated to provide the Educational Products and Services described within this Agreement, and that K12 is not obligated to provide specific positions or titles, with the exception of HOS or equivalent.

6.1.1. Complaints About K12 Employees. If Customer is dissatisfied or concerned about the job performance of a K12 employee assigned to the Program, Customer shall discuss the matter first with the HOS or its equivalent. In the event Customer has a concern or is not satisfied with the HOS's job performance, Customer will provide K12 official notice pursuant to this Agreement and set forth the specific issues and requested action with supporting documentation.

6.2. Customer Employees.

6.2.1. Authority Over Customer Employees. K12 will have the authority to recommend people for Program positions listed below, including hiring, dismissal, discipline, and assistance with supervision, although both parties hereby agree that Customer shall make all final decisions about hiring, dismissal, and discipline for Customer employees providing services to the Program, subject to all Applicable Laws and agreements Customer has entered into. The personnel designated as Customer employees below shall be subject to the supervision of Customer with K12 providing evaluation input.

6.2.1.1. Teachers. Subject to the provisions of Section 2.6, K12 will recruit, supervise and discipline teachers, including master and lead teachers, to assist in the delivery of the Educational Products and Administrative Services. Customer's teachers may work on a full- or part-time basis. Each teacher must be qualified in his or her grade levels and subjects, hold a valid teaching certificate issued by the State to the extent required under Applicable Law, and have applied for or undergone a criminal background check and unprofessional conduct check to the extent required under Applicable Law.

6.2.1.2. Teacher Discipline. Customer may hear appeals to disciplinary measures imposed by Customer's administration on its teachers, and Customer may also formulate and implement binding decisions on disciplinary matters relating to Customer's teachers.

6.2.1.3. Student:Teacher Ratios. K12 will determine, in consultation with Customer, the initial number and assignments of Customer teachers to students and will make recommendations to Customer with respect to the hiring and dismissal of Customer's teachers. Following the initial determination, K12 will have the ultimate authority, after consulting with Customer during the budget process, to determine an appropriate ratio of teachers to pupils for the Program, subject to the terms and conditions of the Charter and/or Applicable Law.

6.2.1.4. Student Support Staff. Customer shall employ Student Support Staff for the Program. Customer will be responsible for all costs associated with the employment of such staff (including, without limitation, salaries, benefits, travel and other Program related expenses). Student Support Staff is defined as any position that provides direct services to teachers, students and parents (which may include Special Education Coordinators, Registrar, Guidance Counselor, Nurse, Community Relations Coordinator, Truancy Officer, Related Services Coordinator, or similar positions). From time to time, K12 will recommend to Customer the addition or elimination of specific Student Support Staff positions for action by Customer, approval of which will not be unreasonably withheld. All Student Support Staff positions will be the sole responsibility of Customer. K12, in consultation with Customer, will recruit, set

the terms of employment, hire, supervise, discipline and terminate Student Support Staff.

- 6.3. Determination of Employer Entity. K12, in consultation with Customer, will determine whether the personnel other than teachers who perform services at the Program shall be employees of K12 and make such recommendations to Customer. The parties anticipate that, except as otherwise required by Applicable Law or to the extent necessary for Customer to maintain its status as a tax-exempt organization under Section 501(c)(3) of the IRC, the HOS and other administrative personnel provided by K12 pursuant to this Agreement will be employed by K12. In the event that K12 determines that it is necessary or desirable that any of the K12 employees providing services under this Agreement become an employee of Customer because of a change in functional duties to a Student Support Staff position, K12 shall notify Customer of such determination in writing and upon the agreement of Customer, such K12 employee shall become an employee of Customer on substantially the same terms and conditions on which he or she was employed by K12 immediately prior to such change in employer; such change shall become effective on the date specified by K12 in such notice. In the event that at any time or from time to time K12 determines that it is necessary or desirable that any of Customer's employees become an employee of K12 because of change in the employee's functional duties to an administrative position, K12 shall notify Customer of such determination in writing and upon the agreement of Customer such Customer employee shall become an employee of K12 on substantially the same terms and conditions on which he or she was employed by Customer immediately prior to such change in employer; such change shall become effective on the date specified by K12 in such notice.
- 6.4. Background Investigations.
- 6.4.1. K12 Employees. K12 will be responsible for arranging for criminal background checks to be conducted on its employees to the extent required under Applicable Law. Upon Customer's request, K12 will provide Customer with documentary evidence of its compliance, subject to any confidentiality requirements imposed by Applicable Law.
- 6.4.2. Customer Employees. Customer, with K12's oversight, will be responsible for arranging for criminal background checks to be conducted on Customer employees assigned to the Program, to the extent required under Applicable Law. Customer, under K12's oversight, will maintain the documentary evidence of the background checks of Customer employees at the Facility.
7. Conflict of Terms. In the event of a conflict, ambiguity, or inconsistency between the provisions in this Agreement, including the Terms and Conditions and any Exhibit to this Agreement, the provisions in this Agreement shall prevail, except to the extent that this Agreement expressly states that the Parties may provide a different provision in an exhibit, in which case, as to such exhibit only, the corresponding different provision shall prevail.
8. Definitions
- 8.1. Affiliates. For purposes of this Agreement, an "Affiliate" of K12 is an entity that controls, is controlled by, or under common control with, K12 and "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of an entity, whether through the ownership of securities, by contract or otherwise.
- 8.2. Applicable Law. Applicable Law is defined herein as the State constitution, the State education laws and/or code, the Elementary and Secondary Education Act, the Individuals with Disabilities in Education Act, other applicable federal, state or local statutes, ordinances and regulations, any amendments to or recodification of the aforementioned laws, and executive orders, case law and other rulings applicable to the State public charter schools.
- 8.3. Charter. The Charter is defined as the authorization provided to Customer by the Sponsor pursuant to Applicable Law, permitting Customer to operate a charter school.

DRAFT FOR DISCUSSION PURPOSES ONLY

- 8.4. Customer. Customer shall be the legal entity identified on page 1 of this Agreement and its governing authority.
- 8.5. Customer-Sponsor Agreement. The agreement between the Sponsor and Customer in which the Sponsor grants Customer the authority to operate the Program and to receive public funds.
- 8.6. Deficit. In any fiscal year where total expenses of the Program exceed total funding. Such deficit will be determined on an accrual basis in accordance with Generally Accepted Accounting Principles and confirmed by an independent audit.
- 8.7. Educational Program. Either a Distance Learning Educational Program, a Distance Learning with Supplemental Classroom-based Instruction Educational Program, or a Classroom-based Program, as designated on page 1 of this Agreement.
- 8.8. Facility. Customer's owned or leased administrative facility.
- 8.9. Fiscal Year. July 1 through June 30.
- 8.10. Qualified Revenues are all revenues and income received by Customer's Program from the following sources: Charter School Block Grant and other charter school state funding, Title I of the Elementary and Secondary Education Act of 1965, as amended (20 U.S.C. §6301 et seq., as amended) and other federal funding, and other income or revenue sources provided by law and obtained by Customer which are not specifically excluded herein and all contributions and grants received by Customer through public funds granted as a matter of right or practice to charter schools or through non-competitive grant processes, which are to assist in the improvement of the Facility, the implementation of the Educational Program, and/or day-to-day Customer operations.
- 8.11. Other Revenue Sources are all other funds paid to, earned by, or donated to Customer (as described in Section 5 other than Qualified Gross Revenues and Public Contributions and Grants.
- 8.12. Program. School or program of a school, district, or state in which Customer will use the products and services being provided by K12 and identified on page 1 of Agreement.
- 8.13. Sponsor. The Sponsor, for purposes of this Agreement, is defined as the Utah Office of Education. The Sponsor has the authority to permit Customer to operate a public virtual charter school.
- 8.14. State. The state in which Customer's program is located and for which laws apply to the operations of Customer's program.
- 8.15. Student. A student enrolled in Customer's Program.
- 8.16. Surplus. Customer's total revenues less expenses for a Fiscal Year on an accrual basis, (exclusive of any Performance Incentive Fees) for such Fiscal Year, as evidenced by Customer's audited financial statement for such Fiscal Year in accordance with Generally Accepted Accounting Principles.

Terms and Conditions of Product and Service Delivery

9 Payment of Product and Service Fees.

9.1 Invoicing and Payment of Fees. K12 will submit to Customer an invoice for the Products and Services delivered for the prior calendar month. For Service fees calculated as a percentage of Qualified Revenue, the amount will be calculated based upon the approved budget or subsequent updates in effect for the applicable calendar month and will be billed for services rendered during the Term, even though Qualified Revenue may be received by Customer beyond the expiration of the Term.

9.2 Location of Payment. All payments made hereunder will be made to K12 or its applicable Affiliate, and at the address set forth above, or such other address provided by K12 in writing.

9.3 Payment Date and Interest. All fees, and where applicable, advances and debts, payable to K12 and its Affiliates are due within thirty (30) days from the invoice date. Customer agrees to pay interest at one and one quarter percent (1.25%) per month on amounts due and payable by Customer to K12 that are overdue.

9.3.1 Except as otherwise stated herein, K12 is not responsible or in any way liable for any taxes or third-party charges related to the activities, or the ownership or operation of the Program. Without limiting the foregoing, Customer agrees to pay any sales, value-added, or other similar taxes imposed by Applicable Law, except for taxes based on K12's income.

9.4 Year-End Adjustments. Within thirty (30) days after completion of the School's audited financial statements for each Fiscal Year, K12 will prepare and submit to the Governing Authority (i) a statement of the amount of any Performance Incentive Fee payable with respect to such Fiscal Year, including the calculation of such amount (which calculation will be based upon Customer's audited financial statements for such Fiscal Year) and (ii) a statement of the total amounts of the Administrative Services and Technology Services Fees or other Service fees set forth in the Service Price List (collectively "Service Fees") payable with respect to such Fiscal Year, including the calculation of such amounts (which calculations will be based upon Customer's audited financial statements for such Fiscal Year). If the total amount of the Service Fees calculated in accordance with the foregoing sentence exceeds the total amount invoiced by K12 pursuant to Section 9.1, then the excess amount will be payable to K12; if such total amount is less than the total amount invoiced by K12 pursuant to Section 9.1, then the shortfall amount will be payable to Customer. Payment of any Performance Incentive Fee, or excess Service Fees payable to K12 will be due thirty (30) days after the submission of the statement thereof. Reimbursement to Customer of any overpayment of Service Fees will be due thirty (30) days after the submission of the statement thereof, provided, that K12 may elect in its sole discretion to set-off the amount any such overpayment against any outstanding obligations of Customer to K12 or any Affiliate of K12.

9.5 Payment Out of Customer Funds Managed by K12 Only. In the event Customer chooses to have K12 manage the Program funds, K12 is specifically authorized to pay itself, subject to Customer's expenditure authorization policy, out of the Customer's funds managed by K12, the fees set forth in Section 4 of this Agreement in accordance with the provisions of Section 9.1.

9.6 Disputed Amounts. If Customer wishes to dispute any charge invoiced to Customer by K12 ("Disputed Amounts"), Customer must submit a good faith claim regarding the Disputed Amount with documentation as may reasonably be required to support the claim within ninety (90) days of receipt of the initial invoice sent by K12 regarding the Disputed Amount. If Customer does not submit a documented claim within ninety (90) days of receipt of the initial invoice sent by K12 regarding such Disputed Amount, notwithstanding anything in this Agreement to the contrary, Customer waives all rights to dispute such Disputed Amount and Customer waives all rights to file a claim thereafter of any kind relating to such Disputed Amount (and Customer also waives all rights to otherwise claim that it does not owe such Disputed Amount or to seek any credits or reimbursements or other amounts of any kind based upon or relating to such Disputed Amount).

10 Relationship of the Parties

10.1 Status of the Parties. K12 is not a division or any part of Customer. Customer is a body corporate authorized under State law and is not a division or a part of K12. The relationship between the parties was developed and entered into through arms-length negotiations and is based solely on the terms of this Agreement. K12 will operate as an independent contractor to Customer and will be responsible for delivering the Educational Products and Services required by this Agreement. Nothing herein will be construed to create a partnership or joint venture by or between Customer and K12. Neither party will be the agent of

another except to the extent otherwise specifically provided by this Agreement where K12 is authorized to take action on behalf of Customer. Customer will in no case represent to third parties, and will whenever needed disclaim to such parties, any ability to bind K12 to any duty imposed by contract, other than this Agreement or as otherwise agreed in writing by K12.

10.2 No Related Parties or Common Control; Certain Permitted Participations. Except (i) as contemplated by this Agreement or any agreement between Customer and any Affiliate with respect to the provision of services described hereunder, K12 will not have any role or relationship with Customer that, in effect, substantially limits Customer's ability to exercise its rights, including termination rights, under this Agreement. None of Customer's voting power will be vested in K12 or its directors, trustees, members, managers, officers, shareholders, or employees, and none of the voting power of K12's board of directors or shareholders of K12 will be vested in Customer or its directors, trustees, members, managers, officers, shareholders, or employees. Each party agrees that it will not take any action that would cause Customer and K12 to be members of the same control group, as defined in Section 1.150 et seq. of the regulations under the Internal Revenue Code of 1986 as amended (or its successor) (the "IRC"), or related persons, as defined in Section 144(a)(3) of the IRC. Customer agrees to take such action as is necessary to permit employees or agents of K12 to have a nonvoting presence at Customer's meetings, including executive sessions, during the Term of this Agreement, provided that, the inclusion of employees or agents of K12 in executive sessions will be at Customer's discretion and is not inconsistent with Applicable Law.

11 Other Schools. The parties acknowledge that this arrangement is not exclusive and that K12 and its Affiliates will have the right to render similar services to other persons or entities including other public or private schools or institutions within and outside of the State ("Other Schools"). K12 LLC will maintain separate accounts for reimbursable expenses incurred on behalf of Customer and Other Schools, if any. All grants or donations received by Customer, or by K12 for the specific benefit of Customer, will be maintained in separate accounts and used solely for Customer.

12 Termination.

12.1 Events of Termination.

12.1.1 Termination for Breach. Either party may terminate this Agreement at any time with ninety (90) days' prior written notice to the other party for cause. Termination for cause may be used if a party breaches any material term or fails to fulfill any material condition, term, provision, representation, warranty, covenant or obligation contained in this Agreement and fails to cure within thirty (30) days after receiving written notification from terminating party. Upon termination of this Agreement pursuant to this Section 12.1.1 the non-breaching party shall be entitled to seek any remedies to which it shall be entitled at law or in equity.

12.1.2 Termination for Material Reduction in Qualified Revenue. Either party may terminate this Agreement in the event that there is a material reduction in Qualified Revenue below the amount for the prior Fiscal Year. Such termination shall be effective (A) immediately upon written notice by the terminating party to the other party, if notice or publication of such reduction is given prior to the commencement of the school year to which such reduction is applicable or (B) sixty (60) days following written notice by the terminating party to the other party, if notice or publication of such reduction is given during the school year to which such reduction is applicable.

12.1.3 Termination Upon Loss of Charter. This Agreement will terminate immediately upon the termination of the Charter or the Customer-Sponsor Agreement.

12.1.4 Termination for Failure to Approve Budget. K12 may terminate this Agreement effective immediately upon written notice to Customer in the event that Customer does not approve a budget or modifications to a budget within sixty (60) days following the submission of a proposal therefore by K12.

12.1.5 Termination in the Event of Certain Changes in the Charter, the Customer-Sponsor Agreement or Customer Policies. K12 may terminate this Agreement effective immediately upon written notice to Customer in the event that the Charter or the Customer-Sponsor Agreement are amended or Customer or the Sponsor adopts or amends a policy, in each case without the prior written approval of K12, and the effect of such amendment or policy could reasonably be determined to require K12 to increase materially the level of services required to be provide hereunder or to increase materially the financial risk to K12 arising from its performance of its obligations hereunder.

12.1.6 Change in Applicable Law. If any change in Applicable Law that is enacted after the date hereof could reasonably be expected to have a material adverse effect on the ability of any party to

carry out its obligations under this Agreement, such party, upon written notice to the other party (which notice may be given at any time following enactment of such change in Applicable Law, whether or not such change is effective on the date of such enactment or is effective at a later date), may request renegotiation of this Agreement. Such renegotiation will be undertaken in good faith. If the parties are unable to renegotiate and agree upon revised terms within one hundred twenty (120) days after such notice of renegotiation, then this Agreement will be terminated effective at the end of the school year in which such notice was given, unless earlier termination is necessary to protect the health, welfare, or safety of students.

12.2 Effect of Termination or Expiration.

12.2.1 Except as otherwise agreed by the parties in writing, termination does not relieve Customer of any obligations for payments outstanding to K12 as of the date of termination or other obligations that continue upon termination as provided in this Agreement.

12.2.2 In the event this Agreement terminates pursuant to this Section 12 or it expires pursuant to its terms, and unless otherwise agreed by the parties in writing, Customer shall owe K12 the Administrative Services Fee and Technology Services Fee associated with all Qualified Revenues received for students enrolled in the Program for the school year preceding the termination or expiration, (based on an audit conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States and in conformity with accounting principles generally accepted in the United States). Payment shall be due within thirty (30) days of completion the audited financial statement.

12.2.3 In the event this Agreement is terminated pursuant to this Section 12 prior to the end of a given Fiscal Year, the parties shall calculate the Performance Incentive Fee at the end of such Fiscal Year as if this Agreement had not been terminated. The parties shall then prorate those amounts to the date of termination of this Agreement, and Customer shall pay K12 the prorated amount.

12.2.4 Customer acknowledges and agrees that the subject matter of this Agreement is unique and that it would not be possible for K12 to resell the Products or the Services that are the subject of this Agreement. In view of the difficulty in estimating K12's damages incurred by termination of this Agreement pursuant to Sections 12.1.4 and 12.1.5, where such termination arises because of actions initiated by Customer in bad faith and which cannot be resolved to avoid termination after good faith negotiations, Customer shall pay K12 fifty percent (50%) of the Educational Product and Service fees charged and chargeable in the Fiscal Year in which the Agreement is being terminated, within thirty (30) days following date of such termination.

13 Intellectual Property Rights

13.1 Program Name

13.1.1 Rights of Customer in Program Name. K12 acknowledges and agrees that, as between K12 and its Affiliates on the one hand and Customer on the other, Customer owns all intellectual property rights and interests in Program name identified in this Agreement (the "Program Name"). K12 further acknowledges and agrees that neither it nor any of its Affiliates has any intellectual property interest or claims in or to the Program Name.

13.1.2 Licenses of Program Name. Customer hereby grants K12 and each of its Affiliates a royalty-free, non-exclusive, non-transferable license, during the Term and for a period of ninety (90) days following the expiration or earlier termination of this Agreement, to use the Program Name in connection with Customer's operations as contemplated in this Agreement. Customer hereby grants K12 and each of its Affiliates a royalty-free, non-exclusive, non-transferable, perpetual license to use the Program Name in electronic and written marketing materials to promote the goods and services offered by K12 or any of its Affiliates.

13.1.3 Limitations on Use of Program Name by K12. K12 and its Affiliates will use the Program Name only as provided in this Agreement and will not alter it in any way, nor will K12 act or permit action in any way that would impair the rights of Customer in the Program Name. K12's authorized use will not create any right, title or interest in or to the Program Name on behalf of K12.

13.1.4 Joint Marketing. K12 may use the Program Name and Customer's name in a listing of new, representative or continuing customers in press releases, on its website, or in other marketing materials or dissemination of information. The parties may agree to cooperate in joint marketing activities or in issuing a joint press release at the request of either of them, subject to prior written consent and approval of the form and substance of both Customer and K12.

13.2 Intellectual Property of K12 And Affiliates.

13.2.1 Customer acknowledges and agrees that K12 has the right to sublicense from K12 Inc. to Customer certain intellectual property rights and interests in and to K12 and its Affiliate's intellectual property, including but not limited to trade secrets, know-how, proprietary data, documents and written materials in any format, artwork, graphics, charts, software, licenses, marketing materials, website design for K12 and its Affiliates, web site design for Customer and curricular materials and any and all customizations and derivative works thereof (collectively, "K12 Proprietary Materials"). Customer further acknowledges and agrees that it has no intellectual property interest or claims in the K12 Proprietary Materials, any customizations and derivative works thereof or any other materials created for use in connection with the K12 Proprietary Materials, and has no right to use the K12 Proprietary Materials unless expressly agreed to in writing by K12.

13.2.2 Sub-License of K12 Proprietary Materials. K12 hereby grants Customer a royalty-free, non-exclusive, non-transferable sub-license, during the Term and for a period of ninety (90) days following the expiration or earlier termination of this Agreement, to use and distribute the K12 Proprietary Materials in connection with Customer's Program operations as contemplated in this Agreement. Notwithstanding the foregoing, Customer hereby agrees not to: (i) modify or otherwise create, or permit third parties to modify or otherwise create, derivative works from or using the K12 Proprietary Materials, (ii) sublicense any rights under this Section 13.2.2 without the advance written approval of K12, which approval may be withheld by K12 in its sole discretion or (iii) frame any website owned by K12. Upon the termination of such license, Customer will cease use of the K12 Proprietary Materials, and Customer will return all K12 Proprietary Materials to K12 promptly, including those in the possession of Customer, any teachers and school employees participating in the Program, and students participating in the Program.

13.2.3 Rights of K12 in K12 Proprietary Marks. Customer acknowledges and agrees that, as between Customer and K12, K12 only has the right to sublicense certain intellectual property rights and interests in and to K12 Inc.'s trademarks, service marks, and trade names (including K12, K12 (& Design), trade names, trade dress, and the logo design(s) featured in Exhibit B (collectively, "K12 Proprietary Marks"). Customer further acknowledges and agrees that it has no intellectual property interest or claims in the K12 Proprietary Marks any customizations and derivative works thereof or any other materials created for use in connection with the K12 Proprietary Marks and has no right to use the K12 Proprietary Marks except as set forth in Section 8.2.4 or unless expressly agreed to in writing in advance by K12, which agreement K12 may withhold in its sole discretion.

13.2.4 Sub-License of K12 Proprietary Marks. K12 hereby grants Customer a royalty-free, non-exclusive, non-transferable sublicense, during the Term and for a period of ninety (90) days following the expiration or earlier termination of this Agreement, to use the K12 Proprietary Marks relating to the Program solely in connection with Customer's operations of Program as contemplated in this Agreement. Notwithstanding the foregoing, b will not be permitted to sublicense any rights under this Section 13.2.4 without the advance written approval of K12, which approval may be withheld by K12 in its sole discretion. Upon the termination of such license, Customer will cease use of the K12 Proprietary Marks.

13.2.5 Limitations on Use of K12 Proprietary Materials and K12 Proprietary Marks by Customer. Customer will use the K12 Proprietary Materials and the K12 Proprietary Marks only as provided in this Agreement. Notwithstanding Sections 13.2.2 and 13.2.4, Customer also will not alter the K12 Proprietary Materials and/or the K12 Proprietary Marks in any way, nor will Customer act or permit action in any way that would impair the rights of K12 in them. Customer's authorized use will not create any right, title, or interest in or to the K12 Proprietary Materials or the K12 Proprietary Marks any customizations and derivative works thereof or any other materials created for use in connection with the foregoing. K12 will have the right to monitor the quality of Customer's use of the K12 Proprietary Materials and the K12 Proprietary Marks, and Customer will notify K12 promptly in writing of any known infringement thereof and of any use of K12's Intellectual Property (including the K12 Proprietary Materials, and/or the K12 Proprietary Marks) by a non-party, other than set forth or contemplated by this Agreement, of which Customer becomes aware. K12 and Customer agree to reasonably assist each other in pursuing measures to prevent further use of K12's Intellectual Property by said non-party. Any references to or use of the K12 Proprietary Materials or the K12 Proprietary Marks by Customer will contain the appropriate trademark, copyright or other legal notice provided from time to time by K12 and will be subject to additional trademark usage standards developed by K12 and modified from time to time by K12 with advance notice in writing.

14 Limitation on Liability:

14.1 Except in connection with its indemnity obligations, either party shall not be liable for any indirect, consequential, exemplary, incidental, special, or punitive damages, including also lost funding, lost revenues, lost opportunity costs, or any other economic loss, of any type or nature or for events or circumstances beyond the parties' control, even if the party has been advised of the possibility of such damages.

14.1.1 K12's maximum liability and obligation to Customer and Customer's exclusive remedy for any cause whatsoever, regardless of the form of action, whether in contract or in tort, including negligence, relating to this Agreement shall be limited to the recovery of actual direct damages up to the amount of the amount of fees paid under this Agreement in the prior six (6) months. NEITHER PARTY SHALL BE LIABLE FOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING, WITHOUT LIMITATION, ANY LOST SAVINGS, LOST PROFITS, LOST SALES, BUSINESS INTERRUPTIONS, DELAY DAMAGES, DAMAGES FOR THIRD PARTY CLAIMS, LOST OR DESTROYED DATA, EVEN IF THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

15 Assignment. Except as otherwise provided in this Agreement, neither party may assign or delegate any rights or obligations under this Agreement without the prior written consent of the other party. Except as prohibited by Applicable Law or the Charter, K12 may assign all of its rights and obligations under this Agreement to any person or entity that controls K12, is controlled by K12, or is under common control with K12 or to any successor in interest that acquires all or substantially all of the assets of K12. K12, upon notice to Customer, may delegate the performance of its duties hereunder to any person or entity but shall be responsible for the performance, in accordance with the terms of this Agreement, of any services performed by its delegees, except notice shall not be needed when K12 delegates its obligation to provide materials or special education services.

16 Indemnity: The party charged with indemnifying and/or defending under this Section 16 (the "Indemnifying Party") shall conduct the defense in any such third party action arising as described herein and the party claiming the benefits of this Section 16 (the "Indemnified Party") promises to cooperate with such defense, provided the Indemnifying Party reasonably consults with the Indemnified Party on any settlement (subject to the consent requirement in the last sentence of this paragraph). Notwithstanding the foregoing, the Indemnified Party may, at its own expense, assist in such defense if it so chooses, provided that the Indemnifying Party shall be entitled to control such defense and all negotiations relative to the settlement of any such claim. Any settlement that would admit any liability on the part of the Indemnified Party shall require such Indemnified Party's prior written consent.

16.1 Indemnification of Customer. K12 will indemnify, defend, and save and hold Customer and all of its employees, officers, directors, trustees, subcontractors, and agents, their respective successors and permitted assigns, harmless against any and all claims, demands, suits, or other forms of liability including without limitation costs and reasonable attorneys' fees (each a "Claim") that may arise out of, or by reason of, any (a) breach of any representation or warranty, covenant or agreement made or to be performed by K12 pursuant to this Agreement, (b) noncompliance by K12 with any Applicable Law in connection with Customer's operations, but excluding any Claims that arise from conduct undertaken in accordance with the Governing Authority's or Customer's instructions, procedures or written policies or in accordance with the Sponsor's written policies, except where such instructions arise from and are in accordance with specific advice or explicit recommendations formally provided by K12, and (c) act or omission of K12 or any of its employees, officers, directors, trustees, subcontractors or agents in connection with Customer's operations that results in injury, death, or loss to person or property except to the extent any Claims arise out of actions or omissions of Customer.

16.2 Indemnification of K12. Customer will indemnify, defend, and save and hold K12 and each other Affiliate of K12 and all of their respective employees, officers, directors, trustees, subcontractors, and agents, their respective successors and permitted assigns, harmless against any and all Claims that may arise out of, or by reason of, any (a) breach or any representation or warranty, covenant or agreement made or to be performed by Customer pursuant to this Agreement or the Renewal Charter, (b) noncompliance by Customer with any Applicable Law in connection with Customer's operations, and (c) act or omission of Customer or any of its employees, officers, directors, trustees, subcontractors or agents in connection with Customer's operations that results in injury, death, or loss to person or property except to the extent any Claims arise out of actions or omissions of K12.

16.3 Indemnification Procedures.

16.3.1 Notice Requirement. Each Indemnified Party must give written notice to the of the existence of a Claim promptly after such Indemnified Party first receives notice of the existence of the potential Claim, provided that such Indemnified Party will not be foreclosed from seeking indemnification hereunder by any failure to provide such prompt notice except and only to the extent the actually incurs an incremental expense or otherwise has been materially prejudiced as a result of such delay.

16.3.2 Defense and Settlement of Claims. Each Indemnified Party seeking indemnification hereunder will permit the Indemnifying Party (at the expense of the Indemnifying Party) to assume the defense of such Claim, provided, that (i) counsel for the Indemnifying Party who will conduct the defense of such Claim must be reasonably satisfactory to such Indemnified Party and (ii) such Indemnified Party may participate in such defense at such Indemnified Party's expense. Except with the prior written consent of the Indemnified Party seeking indemnification hereunder, the Indemnifying Party, in the defense of any Claim, will not consent to entry of any judgment or enter into any settlement. In the event that any Indemnified Party seeking indemnification hereunder has been advised by counsel for the Indemnifying Party that such Indemnified Party may have available to it one or more defenses or counterclaims that are different from or in addition to one or more of those that may be available to the Indemnifying Party in respect of such Claim and, in such counsel's reasonable opinion, such counsel could not assert such defenses or counterclaims without creating a conflict of interest, such Indemnified Party will have the right to take over and assume control over the defense of such claim at the sole cost of the Indemnifying Party, provided that if such Indemnified Party does so take over and assume control, such Indemnified Party will not settle such claim without the written consent of the Indemnifying Party. In the event that the Indemnifying Party does not accept the defense of any matter as above provided, the Indemnified Party seeking indemnification hereunder will have the right to defend against such Claim, provided that such Indemnified Party will not settle such Claim without the written consent of the Indemnifying Party. In any event, any Indemnified Party seeking indemnification hereunder and the Indemnifying Party will cooperate in the defense of any claim subject to this Section 16.

17 Insurance Coverage.

17.1 Liability Coverage. Customer will initiate and maintain for a period of two (2) years after the expiration or termination of this Agreement, at its own expense, comprehensive general liability insurance, including product liability, contractual liability (applicable to the indemnification obligations of Customer set forth in Section 9.02, and advertising injury insurance, with reputable and financially secure insurance carriers to cover the operations of Customer, for not less than \$5,000,000 (combined single limit for bodily injury and property damage per occurrence and in the aggregate). Such insurance will include K12 and its Affiliates and their respective trustees, directors, officers, employees, contractors and agents as additional insureds within thirty (30) days after the date of this Agreement. Such insurance will be written to cover claims incurred, discovered, manifested, or made during or after the Term.

17.2 Evidence of Insurance. Customer will furnish a certificate of insurance evidencing such coverage to K12 within thirty (30) days after the date of this Agreement. Thereafter, Customer will provide thirty (30) days' advance written notice to K12 of any cancellation or material adverse change to such insurance.

17.3 Insurance Coverage No Limitation on K12's Rights. Customer's insurance will be primary coverage and any insurance K12 may purchase shall be excess and non-contributory. The minimum amounts of insurance coverage required herein will not be construed to impose any limitation on Customer's indemnification obligations under Section 16.2.

17.4 Workers' Compensation Insurance. Each of Customer and K12 will initiate and maintain workers' compensation insurance for its respective employees working at or for Customer, as required by Applicable Law.

17.5 Cooperation. All parties will comply with any information or reporting requirements required by the other party's insurer(s), to the extent reasonably practicable.

18 REPRESENTATIONS AND WARRANTIES

18.1 Representations and Warranties of K12. K12 hereby represents and warrants to Customer:

18.1.1 Organization and Good Standing. K12 is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware and is a wholly owned subsidiary of K12 Management Inc.

18.1.2 Power and Authority; Authorization; Binding and Enforceable Agreement. K12 has full limited liability company power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly authorized and executed by K12 and constitutes the valid and legally binding obligation of K12, enforceable against K12 in accordance with its terms, except as such

enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other laws of general applicability relating to or affecting creditors' rights and by general principles of equity.

18.1.3 K12 warrants that the Services will be performed in an professional and workmanlike manner in accordance with commercially reasonable industry standards, and deliverables, if any, will materially comply with the agreed upon functional specification set forth in the applicable Exhibit A, if used in a manner consistent with the conditions for which it was designed. THE FOREGOING WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

18.1.4 The foregoing warranty shall not apply to defects or non-conformities: (a) resulting from software, hardware or interfacing not supplied by K12, its Affiliates or authorized contractors; (b) resulting from inadequate or improper maintenance, modification or usage by Customer or Student; or (c) where there has been improper site preparation or site environment by Customer or Student. In addition, the foregoing warranty shall not apply to requirements not expressly included in this Agreement.

18.2 Representations and Warranties of Customer. Customer hereby represents and warrants to K12:

18.2.1 Organization and Good Standing. Customer is a non-profit corporation duly organized, validly existing, and in good standing under the laws of the State.

18.2.2 Power and Authority; Authorization; Binding and Enforceable Agreement. Customer has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly authorized and executed by Customer and constitutes the valid and legally binding obligation of Customer, enforceable against Customer in accordance with its terms and conditions, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other laws of general applicability relating to or affecting creditors' rights and by general principles of equity.

18.2.3 Authority Under Applicable Law. Customer has the authority under Applicable Law to (i) contract with a private entity to perform the Educational Services, Administrative Services and/or Technological Services and all other programs and services under this Agreement, (ii) to execute, deliver, and perform this Agreement and (iii) to incur the obligations provided for under this Agreement.

18.2.4 Non-Contravention. There does not exist, and the execution and delivery of this Agreement by Customer and the performance by Customer of its obligations hereunder will not constitute, under the Charter, the Customer-Sponsor Agreement or any other agreement, contract, note, lease, license, or other instrument to which Customer is party or by which it or any of its properties or assets is bound, any violation, breach or event of default or event or condition that, after notice or lapse of time or both, would constitute a violation, breach event of default there under by Customer or, to the knowledge of Customer, any other party thereto. Customer has delivered to K12 a true and complete copy of each of the Charter and the Customer-Sponsor Agreement.

18.2.5 Compliance of Educational Program with Applicable Law. The Educational Program will comply with, and Customer will ensure that it will continue to comply with, Applicable Law.

18.2.6 Provision of Authority to K12. Customer has provided and will provide K12 with all authority and power necessary and proper for K12 to undertake its responsibilities, duties, and obligations provided for in this Agreement.

18.2.7 Effectiveness and Enforceability of the Charter and the Customer-Sponsor Agreement. Each of the Charter and the Customer-Sponsor Agreement is in full force and effect and constitutes a valid and binding obligation of each party thereto, enforceable in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other laws of general applicability relating to or affecting creditors' rights and by general principles of equity.

18.2.8 Certain Provisions of the Charter. The Charter authorizes Customer to operate and receive the federal, state and local education funds identified in this Agreement, as well as other revenues, and otherwise vests Customer with all powers necessary and desirable for carrying out the Educational Program and other activities contemplated in this Agreement.

18.2.9 Renewal of the Charter. Customer will use best efforts to renew the Charter upon its expiration.

18.3 Mutual Warranties. Each party warrants to the other that there are no pending actions, claims, suits, or proceedings, to its knowledge, threatened against it, which if adversely determined, would have a material adverse effect on its ability to perform its obligations under this Agreement.

19 MISCELLANEOUS

19.1 Coordination; Exercise of Approval or Consent Rights.

19.1.1 Coordination and Consultation. The parties will coordinate the performance of their respective activities hereunder and will establish such procedures as they shall mutually agree to be effective for achieving the purposes of this Agreement and allowing each of them to perform its obligations and exercise its rights under this Agreement. Without limiting the generality of the foregoing, K12's legal counsel and Customer's legal counsel will consult from time to time with respect to the requirements of Applicable Law, the Charter, the Customer-Sponsor Agreement and Customer's and the Sponsor's policies as they relate to Customer's operations of the Program.

19.1.2 Approval or Consent Rights. In performing services and its other obligations under this Agreement, or in exercising its rights under this Agreement, including granting or withholding any consents or approvals or making any requests of the other party, each party must act reasonably (including as to the timing of its actions) except to the extent that this Agreement provides that it may act as it determines "in its sole judgment" or "its sole discretion," or words to that effect, in the applicable provision. Whenever it is provided in this Agreement that the parties will or may agree as to a certain matter, each party will have the right to agree or disagree in its sole discretion following good faith discussions.

19.2 Non-solicitation: Each party agrees that during this Agreement and for a period ending twelve (12) months after the termination of this Agreement for any reason, unless mutually agreed by the parties, one party will not directly solicit, recruit for employment, offer employment to, offer subcontracting opportunities to, or otherwise use the services of any consultant or employees of the other party or their related companies if that consultant or employee or former consultant or employee had been assigned to or worked under this Agreement.

19.2.1 In the event of such unpermitted use or engagement by a party or its related company of such consultant or employee whether directly or indirectly, in contravention of the clause immediately above, the other party, at its option, may seek equitable relief against such actions or seek receipt of a sum equivalent to twenty-five percent (25%) of that employee's base starting salary.

19.2.2 For the avoidance of doubt, newspaper, periodical or Internet-based listings of employment opportunities by a party shall not be considered direct or indirect solicitation of an employee of the other party.

19.3 Remedies.

19.3.1 Dispute Resolution Procedure. The parties agree that they will attempt in good faith to settle any and all disputes arising out of, under or in connection with this Agreement, including without limitation the validity, interpretation, performance and breach hereof, first at the account manager level. If, the dispute is not resolved after five (5) business days at that level, then the parties shall escalate the effort to resolve to the lead managers for both parties. If, the dispute is not resolved after five (5) business days from the time of escalation to that level, then the parties shall escalate the effort to resolve to the general manager for the Customer and the SVP of School Management for K12. If, the dispute is not resolved after further five (5) business days from the time of escalation to that level, then the parties shall escalate the effort to resolve to the board president for the Customer and the CEO for K12 who shall have five (5) days to resolve the matter. The dispute resolution procedures described herein will be deemed complete upon the earlier to occur of the following: (i) the parties mutually agree in writing to discontinue the dispute resolution procedures; and (ii) the relevant dispute is not resolved within the time periods provided under herein.

19.3.2 Mediation and Arbitration. If the parties are unable to resolve the dispute pursuant to Section 19.3.1, the parties agree that they will attempt in good faith to settle any and all disputes through a process of mediation in Salt Lake County, Utah under the supervision of a mutually agreed upon mediator. In the event that mediation fails to settle such a dispute, the parties hereby agree to proceed to arbitration in Salt Lake County, Utah pursuant to the then existing rules of the American Arbitration Association, unless the parties agree to other terms of arbitration. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties. Judgment upon the award rendered may be entered by the Third Judicial District Court of Salt Lake County, Utah. In the event of arbitration, the non-prevailing party will be

responsible to pay all costs of arbitration, the prevailing party's reasonable attorney's fees, costs and other disbursements, plus legal interest on the award. Each party will bear its own costs and expenses associated with the dispute resolution procedures set forth in this Section 19.3, except that the parties will share equally any fees payable to a professional mediator and/or arbitrator.

19.3.3 Injunctive Relief. Notwithstanding the foregoing, either party may, upon determination at its sole discretion that the delay occasioned by the above procedure would cause it to suffer irreparable harm and/or the full extent of the party's damages may be impossible to ascertain and/or, monetary damages will not be an adequate remedy, the party may seek immediate judicial relief as available in law or equity, and the initiation of any judicial proceeding will suspend the dispute resolution procedures set forth in this Section 19.3. The party will be entitled to enforce this Agreement by an injunction or other equitable relief without the necessity of posting bond or security, in addition to its right to seek monetary damages or any other remedy. The decision of a party not to seek judicial relief during the pendency of the above described dispute resolution procedures will not create any inference respecting the presence or absence of irreparable harm.

19.4 Jurisdiction and Venue. Each party: (a) irrevocably and unconditionally consents and submits to the jurisdiction of the state and federal courts located in the State of Utah for purposes of any action, suit or proceeding arising out of or relating to this Agreement; (b) agrees that service of any process, summons, notice or document by U.S. registered mail to the address set forth opposite the name of such party at the end of this Agreement shall be effective service of process for any such action, suit or proceeding brought against such party; (c) irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of or relating to this Agreement in any state or federal court located in the State of Utah, and (d) irrevocably and unconditionally waives the right to plead or claim, and irrevocably and unconditionally agrees not to plead or claim, that any action, suit or proceeding arising out of or relating to this Agreement that is brought in any state or federal court located in the State of Utah has been brought in an inconvenient forum.

19.5 Force Majeure. Notwithstanding any other sections of this Agreement, no party will be liable for any delay in performance or inability to perform due to acts of God or due to war, riot, terrorism, civil war, embargo, fire, flood, explosion, sabotage, accident, labor strike, internet outage or other acts beyond its reasonable control and unrelated to its fault or negligence.

19.6 Governing Law. The laws of the State of Utah without regard to its conflict of laws provisions will govern this Agreement, its construction, and the determination of any rights, duties, and remedies of the parties arising out of or relating to this Agreement.

19.7 Entire Agreement. This Agreement, including the Addendum and the Exhibits hereto (all of which constitute part of this Agreement), constitutes the entire agreement of the parties with respect to the subject matter hereof, and supersedes all previous oral and written, and all contemporaneous oral, negotiations, commitments, agreements and understandings relating hereto

19.8 Counterparts, Facsimile Transmissions. This Agreement may be executed in counterparts, each of which will be deemed an original, but both of which will constitute one and the same instrument. Each party may rely on facsimile signature pages as if such facsimile pages were originals.

19.9 Official Notices. All notices and other communications required by the terms of this Agreement will be in writing and sent to the parties hereto at the addresses set forth below (and such addresses may be changed upon proper notice to such addressees). Notice may be given by: (i) certified or registered mail, postage prepaid, return receipt requested, (ii) reputable overnight carrier, postage prepaid, (iii) facsimile (with confirmation of transmission by sender's facsimile machine), or (iv) personal delivery (with written receipt confirming such delivery). Notice will be deemed to have been given (i) two days after mailing as described in clauses (i) and (ii) of the foregoing sentence, (ii) on the date of personal delivery or (iii) on the date of transmission of a facsimile if on a business day during normal business hours (or, if not, the next succeeding business day). Electronic mail does not constitute official notice under this Agreement. The addresses of the parties are:

For K12 Utah LLC:
President
K12 Utah L.L.C.
2300 Corporate Park Drive, Suite 200
Herndon, VA 20171
Fax: (703) 483-7330

With Copy To:
General Counsel
K12 Utah L.L.C.
2300 Corporate Park Drive, Suite 200
Herndon, VA 20171
Fax: (703) 483-7496

DRAFT FOR DISCUSSION PURPOSES ONLY

For Customer:
Lori Harmon

With Copy To:
Brian Quick

19.10 Assignment. Except as otherwise provided in this Agreement, neither party may assign or delegate any rights or obligations under this Agreement without the prior written consent of the other party. Except as prohibited by Applicable Law or the Charter, K12 may assign all of its rights and obligations under this Agreement to any person or entity that controls K12, is controlled by K12, or is under common control with K12 or to any successor in interest that acquires all or substantially all of the assets of K12. K12 may delegate the performance of its duties hereunder to any person or entity but shall be responsible for the performance, in accordance with the terms of this Agreement, of any services performed by its delegates.

19.11 Audit. Upon 45 days written notice, K12 may audit Customer's use of the Products. Customer agrees to cooperate with K12's audit and provide reasonable assistance and access to information. Customer agrees to pay within 30 days of written notification any fees applicable to Customer's use of the Products in excess of the license rights. If Customer does not pay, K12 can end Customer's technical support, licenses and/or this Agreement. Customer agrees that K12 shall not be responsible for any of Customer's costs incurred in cooperating with the audit.

19.12 Amendment. This Agreement will not be altered, amended, modified, or supplemented except in a written document executed by the parties.

19.13 Waiver. No waiver of any provision of this Agreement will be effective unless in writing, nor will such waiver constitute a waiver of any other provision of this Agreement, nor will such waiver constitute a continuing waiver unless otherwise expressly stated.

19.14 Interpretation. The parties hereto acknowledge and agree that both (a) the rule of construction to the effect that any ambiguities are resolved against the drafting party and (b) the terms and provisions of this Agreement, will be construed fairly as to all parties hereto and not in favor of or against a party, regardless of which party was generally responsible for the preparation of this Agreement.

19.15 Severability. The parties intend that each provision hereof constitute a separate agreement between them. Accordingly, the provisions hereof are severable and in the event that any provision of this Agreement shall be deemed invalid or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions hereof will not be affected, but will, subject to the discretion of such court, remain in full force and effect, and any invalid or unenforceable provision will be deemed, without further action on the part of the parties, amended and limited to the extent necessary to render the same valid and enforceable and reflect the intent of the parties. To the extent that any of the services to be provided by K12 are found to be overbroad or an invalid delegation of authority by Customer, such services will be construed to be limited to the extent necessary to make the services valid and binding.

19.16 Successors and Assigns. This Agreement will be binding upon, and inure to the benefit of, the parties and their respective successors and permitted assigns.

19.17 No Third-Party Rights. This Agreement is made for the sole benefit of Customer and K12 and their respective successors and permitted assigns. Except as set forth in Articles VIII and IX and except for each Affiliate of K12, which shall be a third party beneficiary of this Agreement, nothing in this Agreement will create or be deemed to create a relationship between the parties to this Agreement, or any of them, and any third person, including a relationship in the nature of a third-party beneficiary or fiduciary.

19.18 Survival of Termination. All representations, warranties, and indemnities made in this Agreement will survive termination of this Agreement as will the provisions of Section 7.03, Article VIII and this Article XII.

19.19 Headings and Captions. The headings and captions appearing in this Agreement have been included only for convenience and shall not affect or be taken into account in the interpretation of this Agreement.

Exhibit A

Products and Services

Educational and Related Products: During the Term, K12 and its Affiliates will provide or cause to be provided to Customer, its Students and its personnel the following educational products (the “Educational Products”):

1. Online School: For each school year during the Term, (i) K12® Curriculum (a/k/a Online School or OLS) for grades kindergarten and twelfth, in each case in Language Arts, Math, Science, and History, and, if required by Applicable Law Art and/or Music and (ii) K12® Curriculum (a/k/a Online School or OLS) for such additional grades for which K12 generally offers curriculum to its customers, in each case for such courses required by Applicable Law.
2. Instructional Tools. Such instructional tools and supplies, including without limitation textbooks and multi-media teaching tools, as K12 determines in its discretion to be necessary to deliver the Educational Program (defined below).
3. Computers. Such computers, monitors, software and other hardware as K12 determines in its discretion to be necessary to deliver the Educational Program.

Administrative Services: During the Term, K12 and its Affiliates will provide or cause to be provided to Customer the administrative services (the “Administrative Services”) set forth below. K12 will provide the Administrative Services at Customer’s Facility and from K12’s offices in Herndon, Virginia and elsewhere, as deemed necessary in K12’s discretion.

1. Educational Program Consulting. Propose educational goals, curriculum, methods of pupil assessment, admissions policy, student recruitment policy, school calendar, school day schedule, and age and grade range of pupils to be enrolled in Customer’s Program (the “Educational Program”), as identified on Page 1 of this Agreement. K12’s recommendations for the Educational Program will be consistent with Applicable Law and the Charter.
2. Personnel Management. Management of all personnel providing Educational Products, Administrative Services, and Technology Services. Management of all of Customer’s Program employees including recruiting; hiring recommendations; reference, certification and background checks; securing of payroll services; negotiation, securing and management of health, retirement and other benefits. Work with Customer to develop human resources policies, bonus plans, and strategic plans for staffing, development, and growth. Provide teacher performance evaluation models to Customer and advise Customer on effective ways to measure teacher performance in a virtual setting.
3. Facility Management. Identify location of Customer’s Facility, negotiate lease and leasehold improvements and manage Facility. The performance of K12’s Administrative Services will be based out of this Facility, with support from K12’s corporate location in Virginia and or other locations as necessary. The Facility shall also serve as the principal office for all of Customer’s personnel assigned to the Program.
4. Business Administration. Administration of all business aspects and day-to-day management of the Program. These services shall include:
 - a. Consultation, and services as liaison for Customer with the Sponsor, and other governmental offices and agencies;
 - b. Consultation and advice regarding special education programs, processes, support services and reimbursements;
 - c. Consistent with other provisions of the Agreement, provide school administrative staff as appropriate;

- d. Work with Customer's counsel, if any, on legal matters affecting the Program;
 - e. Preparation of forms, operations manuals, handbooks, guides, and policies and procedures as necessary or required by the Charter or Sponsor;
 - f. Consultation with respect to, and monitoring and oversight of, state reporting systems;
 - g. Assist Customer in identifying and applying for grants and other funding opportunities;
 - h. Assist with the administration of federal entitlement programs (e.g., Title I, I.D.E.A.);
 - i. Assist with local, state, and federal reporting requirements
 - j. Arrange contracts with school districts, education services centers, and professional service providers for special education, testing and other support services on Customer's behalf;
 - k. Send invoices to the appropriate state, local, and federal entities and contractors;
 - l. Establish and implement policies and procedures to maintain proper internal controls; and
 - m. Provision of such other administrative and consulting services as agreed in writing by the parties from time to time.
5. Budgeting and Financial Reporting.
- a. Preparation of a proposed annual budget for the Program, including projected revenues, expenses and capital and opening expenditures. The parties agree that the last budget approved by Customer prior to the effective date of this Agreement will serve as the approved annual budget of the Program for the next Fiscal Year. The proposed budget for subsequent years will be submitted by K12 to Customer on or before May 15th preceding the start of the applicable school year covered by such proposed budget. On or about October 31 of each school year during the Term, K12 will submit to Customer any proposed modifications to the annual budget for that school year to take into account the actual student enrollment for such school year and other changes in key assumptions. K12 shall also submit to Customer from time to time any other proposed modifications to the annual budget as K12 shall deem to be necessary or desirable, to be acted upon by Customer consistent with Applicable Law and this Agreement.
 - b. Provide to Customer on a periodic basis, detailed statements of all revenues received, from whatever source by the Program, and detailed statements of all direct expenditures for services rendered to the Program.
 - c. Provide to Customer all financial reports required under Applicable Law and by the Sponsor.
 - d. Subject to any confidentiality obligations imposed on K12 by third parties, provide to Customer such other information either required by the Sponsor to be made available to Customer or the Sponsor requested by Customer, in each case within a reasonable time following such written request therefore, and in all cases consistent with Applicable Law.
 - e. Prepare and file required non-profit filings, including form 990 tax returns. Notwithstanding the foregoing, K12 will not be responsible for filing Customer's form 1023, but will work with Customer's counsel and/or accountant to prepare the application for tax-exempt status, as necessary.
6. Financial Management.
- a. In accordance with Customer's expenditure authorization policy, K12 will, within commercially reasonable periods of time or as required by any agreement governing same, make payment for all School Expenses, out of the Program funds managed by K12.
 - b. All Program funds will be maintained in an account(s) belonging to Customer over which designated representatives of K12 will have signature authority as approved by Customer. Customer will immediately transfer to such account(s) all funds and/or other revenues received by the Program from any source, including but not limited to per pupil payments or reimbursements received from the local school district, state, and/or any other source, as well as any and all contributions received by the Program.
 - c. Assist in obtaining financing for the Program's day-to-day operations on Customer's

- behalf, if required; perform necessary accounting functions and set up third-party accounting, reporting and planning software.
- d. Assist and coordinate in any third-party audit(s) of the Program.
7. Maintenance of Financial and Student Records.
- a. K12 will maintain and keep the records and books of the Program at the Facility. K12 may maintain electronic or paper copies of records and provide other services elsewhere, unless prohibited by Applicable Law. Customer recognizes and agrees that for purposes of the Family Educational Rights and Privacy Act and the State open records act, K12 has a legitimate educational interest for purposes of Customer disclosing to K12 the Student's educational records.
 - b. K12 will maintain accurate financial records pertaining to the operation of the Program and will retain all such records for a period of seven (7) years (or longer if required by Applicable Law) from the close of the Fiscal Year to which such books, accounts, and records relate.
 - c. K12 will maintain accurate student records pertaining to students enrolled in the Program in the manner required by Applicable Law, and retain such records on behalf of Customer at the Facility until this Agreement is terminated, at which time such records will be retained by and become the sole responsibility of Customer.
 - d. Ensure accessibility of Program records to Customer, its independent auditor and the State for completion of audits required by Applicable Law or by the Charter. The parties understand that all financial, educational and other records, regardless of source of origin, are the property of Customer. The parties agree to maintain, retain, disclose, and withhold Program records as may be required and in the manner required by Applicable Law.
8. Pupil Recruitment. Recruitment of students, including creation, design and preparation of recruitment materials and advertisements; assist with demand creation for the Program and its information sessions and other events via mail, e-mail, newspapers, magazines, journals, radio, television, community forums, town hall meetings, and other forms of communication and outreach on Customer's behalf; develop community outreach strategy and connect with local organizations. Design school recruitment materials, letterhead, business cards, and logos to create school identity.
9. Admissions. Implementation of the Program's admissions policy, including management of the application and enrollment process; creation, design and publication of Program's applications and enrollment packages; and communicating with potential students and their families and assisting families through the enrollment process; conduct random lottery if required.
10. Family Services. Plan and arrange school orientation sessions; represent the Program at conferences and other events. Field and respond to incoming calls, letters, faxes, and e-mails about the Program, its curriculum, the application/enrollment process, instructional materials, etc. Conduct focus groups, surveys, interviews, observation sessions, and/or user testing on the OLS to obtain feedback on how to improve the Program and curriculum. Create "feedback buttons" on lessons so that Students, their parents, and teachers may submit comments and suggestions; respond to suggestions and implement improvements where K12 deems them to be valuable. Conduct exit interviews with those Students and their parents who withdraw in order to learn more about how to improve the program for Students. Create and distribute a parent manual and/or student handbook which includes a starting kit for logging onto the OLS. Assist with the design and implementation of parent orientation sessions.
11. Student Discipline. Provide necessary information and cooperate with Customer on the handling of all student disciplinary matters, including without limitation attendance and truancy matters. K12 will recommend policy and procedures for Customer adoption consistent with Applicable Law.

12. Annual Reports to Sponsor and Audits. Assist Customer with the creation, design, and arrangement for publication and dissemination of an annual report regarding the Program. Assist Customer with audits related to attendance and other subjects.
13. Teacher Training and Professional Development. Create teacher training materials for new and returning teachers. Administer a discussion board or other tool to permit Program teachers to post questions or receive feedback on any topics relating to the role of a virtual school teacher and get answers/feedback from K12 personnel and/or teachers at other programs using the K12 curriculum. Produce, design, and disseminate a teacher training manual to all the Program's teachers, and an administrator manual for all the Program's administrators, as needed. Design and deliver comprehensive teacher training on the Program's curriculum, technological systems, policies and procedures, and more. Design and deliver orientation sessions with the school administration, including curriculum, technological systems, policies and procedures, and more. Support teachers as they connect with Students and their parents via email and phone. Work with the Program's administration to address the continuing professional development needs of the staff as required by Applicable Law.

Topics covered in teacher training may include:

 - What is K12?:* Learn the K12 Philosophy and explore the relationship between K12 and your school. Get a close up look at a day in the life of a virtual schooling family.
 - The K12 Curriculum:* Hear an overview of each the courses in the K12 curriculum from K12's own course creators. Use Quicknotes, K12's own "cheat sheet" to navigate through K12 courses.
 - The Job of Virtual Teachers:* Compare the job of virtual teaching to traditional classroom teaching. Examine the roles of virtual teachers as partners and resources for virtual schooling families. Working with adults will be discussed.
 - The Virtual School Community:* Discuss strategies for connecting students and families in your school including community building tools, parent training workshops, outings for students and families, and student activities such as clubs.
 - The Online School:* Spend time getting to know the parts of a K12 lesson in each of the curricular areas.
 - Measuring Student Progress:* Student progress begins with appropriate placement in the K12 curriculum. Explore K12 placement tests and the role of the teacher and parents in determining student placement. Practice using tools to measure, document, and report student progress and identify "red flag" students. Student learning plans and procedures for recommending promotion will be discussed.
 - Communication in the Virtual School:* The key trait for a virtual teacher's success is excellent communication skills. Role play a parent conference call and practice communicating effectively through email. Discuss how to deal with sensitive information in teacher-family interactions.
 - Working at a Distance:* A virtual workplace has its challenges. Learn strategies for feeling connected, not disconnected and valuable tips and tricks for managing the job. Benefit from experienced teachers in the virtual field!
 - Standardized Testing:* Procedures for scheduling and conducting standardized testing will be discussed. Examine K12 resources for standardized testing including test prep courses and view practice items from your state Department of Education (if available).
14. Sponsor Policies and Charter Renewal. Assist Customer in complying with all applicable Sponsor policies as reasonably interpreted to apply to the Program. Assist Customer with drafting the Programs Charter renewal application, including working with Customer to develop any necessary budgetary and curriculum information. Present and defend Customer's Charter renewal application before the Sponsor/Agency.
15. Instructional Property Management. Prepare and submit to Customer proposed policies and procedures regarding the responsible use of computer equipment and other instructional property.

16. Public and Governmental Relations. Conduct public and governmental relations on the behalf of the Program with the community, the media and relevant governmental offices and agencies, including drafting and distribution of Program press releases.
17. Additional Administrative Services. Any other services as agreed to in writing by the parties from time to time.

Technology Services: During the Term, K12 and its Affiliates will provide or cause to be provided to Customer the technology services (the “Technology Services”) described below. K12 will provide the Technology Services at Customer’s Facility (defined below) and from K12’s offices, as deemed necessary and in K12’s discretion.

1. 24-7 monitoring of production services, i.e., Student Account Management System (“SAMS”), OLS and;
2. Monitor and analyze system data, to fix production issues as they may arise;
3. Generate reports on pupil academic performance, attendance and progress;
4. Seek and secure competitive pricing and centralized purchase discounts for computers, monitors, printers, software and other peripherals for Customer;
5. Train school staff, and parents and students, as deemed appropriate and necessary, on technology systems;
6. Develop, design, publish, and maintain Customer’s interactive web site;
7. Install and maintain Customer’s computer and telephone network;
8. Generate reports e.g., omnibus report, demographic reports, etc.;
9. Develop community tools on Customer’s web site and K12 platform (including password protected threaded discussion and message boards, moderation functionality, directories, etc.);
10. Determine hardware configurations (including software and operating systems) for the school’s technology needs;
11. Provide onsite and telephone support for Customer’s administration in troubleshooting system errors, and telephone support for students;
12. Propose adoption of policies and procedures regarding the responsible use of computer equipment and other school property;
13. Support teachers and customer care associates in answering technology-related questions from students, parents, teachers, and administrators;
14. Install software to generate master image of computer configurations for teachers, administrators, and students in order to standardize the user experience and lower costs and turn-around time for implementation and trouble shooting;
15. Ensure electronic security of student records (through the use of encryption, firewalls, etc.)
16. Provide a Web-filtering device to ensure that students do not have access to inappropriate materials on the Internet
17. Prepare for, supervise, and implement all system roll-overs at the end of each academic year;
18. Support and design the school’s accounting system as it connects with all other systems
19. Provide online enrollment, registration and placement services
20. Provide school email accounts for school employees
21. Provide customer care and technology support services on OLS, computer and software issues
22. Oversee changes to Customer’s web site to maintain quality assurance and make sure that there are not “version control” problems
23. Coordinate security, creative, and content issues pertaining to the web site
24. Coordinate Web hosting contracts and relationships with vendors across the State, as needed
25. Handle troubleshooting issues for the school’s web site and send issues to the appropriate person or division for resolution
26. Additional Technology Services. Any other services as agreed to in writing by the parties from time to time.