MANAGEMENT ORGANIZATION AND REQUIRED AGREEMENT PROVISIONS POLICY

I. POLICY STATEMENT

In order to maximize efficiency and garner support for the many autonomous endeavors that charter schools undertake, more than 33% of charter schools nationwide utilize a management organization to support the programming and operations of the school. This allows individual charter schools to incubate or capitalize on the educational inputs designed for their student population by streamlining many of the administrative tasks that tend to dominate day-to-day operations at stand-alone charter schools (such as accounting, human resources, mandated reporting, and the like). Any prospective or existing school that enters into, or amends, a management agreement with a management organization must receive Institute approval prior to execution of the agreement. Further, this policy contains the tenants that must be incorporated into any agreement that is executed. Failure to comply with this policy may result in the non-issuance of a charter contract or the initiation of revocation procedures for existing schools.

II. DEFINITIONS.

A management organization is: an Education Management Organization (EMO), Charter Management Organization (CMO), Charter Network Organization (CNO), Education Service Provider (ESP), contracted Charter Support Organization (CSO), incubator, consortium, collaborative, or any other independent non-profit or for-profit organization that operates on a fee structure and plans to contract with a charter school for the provision of a significant portion of programming, operations, services, or staffing.

A management agreement is: an agreement or contract to provide significant educational, administrative, management, operational, or instructional services or staff to an Institute charter school.

III. DUE DILIGENCE PRIOR TO APPROVAL.

Prior to approving a new or amended management agreement, the charter school board must demonstrate that it has performed sufficient due diligence to ensure that the management organization has the appropriate financial resources, educational services, and managerial experience to provide the contracted services. This should include, at a minimum:

a. Completion of the management organization information sheet (see Exhibit A);
b. Demonstration that any principal or officer of the management organization (including any related organizations) has not filed for bankruptcy protection prior to execution of the agreement;
c. Demonstration that board members, employees, and their respective spouses or immediate family members shall not have any direct or indirect ownership, employment, financial, contractual, or management interest in the management organization (including any related organizations); and
d. Evidence that the management organization has been successful in providing the anticipated services (if educational, this should include evidence of success with a population that mirrors the proposed or operating charter school).

IV. BOARD RESPONSIBILITIES.

In negotiating the management agreement, the charter school board is not permitted to delegate administrative and fiduciary responsibilities. The charter school board shall budget adequate resources to fulfill Institute Contract requirements, which may include but are not limited to: oversight of the management agreement, negotiation and fulfillment of the Institute Contract and any amendments, personnel expenditures, insurance, procurement of the annual financial audit, needs from legal counsel, and any other consultants or costs necessary for board operations.

Further, the Board shall maintain responsibilities for developing the annual budget and considering any budget amendments, and for implementing fiscal policies and procedures. The Board is responsible for determining the budget reserve included in the School's annual budget and any budget amendments, and for implementing fiscal policies.

The Board is responsible for selecting and hiring the Head of School. No management organization owner, officer, director or employee shall be designated as the Head of School of the charter school. An employee of the management organization may assist the Head of School in carrying out his or her responsibilities.

V. MANAGEMENT AGREEMENT PROVISIONS.

Any proposed agreement shall be submitted to the Institute in a form or manner as prescribed by the Institute and not later than sixty days prior to the proposed date of execution. The Institute shall notify the Board of its recommendation to approve or deny the management agreement prior to the public meeting of the Institute Board where the agreement shall be acted upon. The Institute reserves the right to disapprove a management agreement if the agreement does not comply with the Contract, relevant law, and Institute policies. The following considerations and provisions must be incorporated into the agreement:

a. No provision of the agreement shall interfere with the Board's duty to exercise its statutory, contractual, and fiduciary responsibilities governing the operation of the School. No provision of the agreement shall prohibit the Board from acting as an independent, self-governing public body, or allow public decisions to be made other than in compliance with the Open Meetings Act.
b. The agreement shall not exceed the length of the Contract.
c. No provision of the agreement shall restrict the Board from waiving its governmental immunity or require the Board to assert, waive, or not waive its governmental immunity.
d. No provision of the agreement shall affect the deposit of all funds into the School's depository account. The signatories on the School accounts shall solely be Board members or properly designated Board employees. Interest income earned on School accounts shall accrue to the School.
e. If the agreement includes financial reporting services provided by the management organization, then the agreement shall require the organization to provide the Board monthly financial statements that (at a minimum) include: a balance sheet, a detailed statement of revenues, expenditures and changes in fund balance that includes a comparison of budget-to-actual information and explanation of variances.
f. The agreements shall contain at least one of the following methods for paying fees or expenses: (i) the Board may either pay or reimburse the management organization for approved fees or expenses upon receipt of properly presented documentation and approval by the Board; or (ii) the Board may advance funds to the management organization for the fees or expenses associated with the School's operation provided that documentation for the fees and expenses are provided for the Board ratification at its next regularly scheduled meeting.
g. The agreement shall prohibit the management organization from serving as the single point of contact with the Sponsor or the South Carolina Department of Education. This does not prevent inclusion of the management organization in communications.
h. The agreement shall prohibit the management organization from executing contracts with its staff assigned to the School (including by way of example

and not limitation, administrators, teachers, counselors, and the like) that contain non-compete agreements of any nature.

i. The agreements shall clearly state which services the management organization will be providing that are included in the management fee paid by the School. All additional services that are to be provided that are not included in the fee and are to be reimbursed by the School shall be clearly stated in the agreement. Any services to be provided by the management organization that are included in the fee but are performed by a subcontractor or ancillary organization shall not be charted to, reimbursed by, or passed through as an additional cost to the School.
j. Marketing and development costs paid by or charged to the School shall be limited to those costs specific to the School and shall not include any costs for the marketing and development of the management organization.
k. The agreement shall provide that the financial, educational, and student records pertaining to the School are School property, and that such records are subject to the provisions of the Freedom of Information Act. All School records shall be physically or electronically available, upon request, at the School's physical facilities. Except as permitted under the Contract and applicable law, no agreement shall restrict the Institute or the public's access to the School records.
l. The agreement shall contain a provision that all finance and other records of the management organization related to the School will be made available to the School, the School's independent auditor, and the Institute upon request. Management agreements shall not permit the management organization to select and retain an independent auditor for the School.
m. If the management organization purchases equipment, materials, and supplies on behalf of or as the agent of the School, the agreements shall provide that such equipment, materials, and supplies shall be and remain the property of the School.
n. The agreement shall contain a provision that clearly allocates the respective proprietary rights of the School and the management organization to curriculum or educational materials. At a minimum, the agreement shall provide that the School owns all proprietary rights to curriculum or educational materials that are: (i) directly developed and paid for by the School; or (ii) were developed by the management company at the direction of the Board with School funds. The agreement may include a provision that restricts the School's proprietary rights over curriculum or educational materials previously developed or copyrighted by the management organization.

o. The agreement shall contain the process and measurable objectives used in the annual evaluation of the management organization by the Board. These must, at a minimum, align to expectations and standards established by the State and Institute through the Student Success Profile and the SC State Report Card.
p. The agreement shall set forth the terms and process for termination or expiration of the agreement. In the event that the agreement is terminated due to a Contract revocation or nonrenewal, the management organization shall, without additional charge: (i) close the financial records on the current fiscal year including supporting the completion and submission of the audit and required state and federal grant reporting; (ii) organize and prepare student records for transition to the Institute, School representative, or a student's new school as designated by the student's parent/legal guardian or to a person or entity authorized to hold such records; (iii) provide for the orderly transition of employee compensation and benefits or issuing final payment of all employee compensation, benefit, and tax obligations related to services provided by the management organization; (iv) organize and prepare School records for dissolution; (v) provide for orderly transition or dissolution of all School-owned assets, including but not limited to, furniture, fixtures, equipment, and real estate (including any keys, log-in information, and passwords related to any School asset or record); (vi) and will not inhibit the Sponsor-required transition plan or work of the School in pursuing the sustainability of the School in the event of separation

VI. AMENDMENTS.

In the event that the School or management organization wish to amend the agreement, the requirements outlined in Section V apply. Amendments will be added to the School's Charter and Contract through the Institute amendment process identified in the Contract's Terms and Conditions.

VII. WAIVER.

In the event that the School and management organization wish to pursue an agreement that does not conform to the provisions outlined in this policy, the School may request a waiver from that provision. Any waiver request shall be submitted to the Institute in a form or manner as prescribed by the Institute and not later than sixty days prior to the public meeting of the Institute Board where the waiver request will be heard and acted upon.