



Compass Charter Schools

Special Meeting

Date and Time

Friday December 7, 2018 at 1:00 PM PST

CCS Central Office: 850 Hampshire Road, Suite P, Thousand Oaks, CA 91361
13 Sunrise, Irvine, CA 92603
3580 Wilshire Blvd., Suite 1130, Los Angeles, CA 90010
2653 Taft Lane, Palmdale, CA 93551
3305 Buckman Springs Road, Pine Valley, CA 91962

Please join the meeting from your computer, tablet or smartphone:

<https://compasscharters.adobeconnect.com/bod/>

For questions or requests regarding accessibility, please call Miguel Aguilar at (805) 807-8199.

Agenda

I. Opening Items

Opening Items

A. Call the Meeting to Order

B. Record Attendance and Guests

II. Consent Items

CEO Support And Eval

A. Consent Items

Consent Items – Items under Consent Items will be voted on in one motion unless a member of the Board requests that an item be removed and voted on separately, in which case, the Board Chair will determine when it will be called and considered for action. Due to the set-up of BoardOnTrack, approval of any meeting minutes will be done through consent, unless removed and voted on separately as noted above, using the same vote count.

- Approval of the December 7, 2018 Special Meeting Agenda

III. Public Comment

External Relations

A. Public Comment

Addressing the Board – Board meetings are meetings of the Board of Directors and will be held in a civil, orderly and respectful manner. All public comments or questions should be addressed to the Board through the Chair of the Board. To ensure an orderly meeting and an equal opportunity for each speaker, persons wishing to address the Board must complete a Speaker Request Card and submit it to Miguel Aguilar, Executive Assistant to the Superintendent. The Speaker Request Card must contain speaker name, contact number or email, and subject matter and submitted to the Executive Assistant to the Superintendent prior to the start of the meeting. Members of the public may address the Board on any matter within the Board’s jurisdiction and have **three (3) minutes each** to do so. The total time of each subject will be fifteen (15) minutes, unless additional time is requested by a Board Member and approved by the Board.

The Board may not deliberate or take action on items that are not on the agenda. However, the Board may give direction to staff following a presentation. The Chair is in charge of the meeting and will maintain order, set the time limits for the speakers and the subject matter, and will have the prerogative to remove any person who is disruptive of the Board meeting. The Board of Directors may place limitations on the total time to be devoted to each topic if it finds that the numbers of speakers would impede the Board’s ability to conduct its business in a timely manner. The Board of Directors may also allow for additional public comment and questions after reports and presentations if it deems necessary.

IV. New Business

- A. Review and Approval of the Affiliation Agreement with REALM Charter Schools**

V. Closing Items

A. Upcoming Meetings

Board of Directors

Monday, January 28 at 5 pm (if Closed Session is needed); 6 pm for Open Session

- 2017-18 School Accountability Report Cards
- 2019-20 School Calendar
- Auditor Selection
- Engagement Department Presentation
- Resolution on One-Time Mandate Funds

B. Adjourn Meeting

Coversheet

Review and Approval of the Affiliation Agreement with REALM Charter Schools

Section: IV. New Business
Item: A. Review and Approval of the Affiliation Agreement with REALM Charter Schools
Purpose: Vote
Submitted by: J.J. Lewis
Related Material: B Affiliation Agreement.pdf
C Loan Agreement.pdf
A Affiliation Resolution 2018-03.pdf

RECOMMENDATION:

A motion to approve the affiliation agreement between Compass Charter Schools and REALM Charter Schools.

**AFFILIATION AGREEMENT
BETWEEN
Compass Charter Schools
AND
REALM Charter Schools**

THIS AFFILIATION AGREEMENT (“Agreement”) is entered into and executed as of December 10, 2018, by and between, Compass Charter Schools, a California nonprofit public benefit corporation (“ACQUIRER”), and, REALM Charter Schools, a California nonprofit public benefit corporation (“PARTNER”) (ACQUIRER and PARTNER are sometimes hereinafter referred to individually as a “Party” and collectively as the “Parties”), with respect to the following facts:

A. ACQUIRER is a California nonprofit public benefit corporation organized to create, manage, operate, guide, direct and promote one or more public charter schools and currently operates three public charter schools.

B. PARTNER is a California nonprofit public benefit corporation organized to manage, operate, guide, direct and promote or more California public charter schools and currently operates a public charter school known as REALM Charter School (“School”) authorized by the Berkeley Unified School District (“District”).

C. ACQUIRER and PARTNER have agreed to enter into this affiliation and execute this Agreement for the primary and specific purposes of supporting, benefiting and furthering the charitable and educational purposes of both Parties.

D. ACQUIRER has administrative personnel and resources that, as set forth in this Agreement, it will make available to PARTNER and which PARTNER desires to utilize for the benefit of its students and the School. ACQUIRER will benefit from this affiliation by expanding its opportunities to provide independent study programs.

NOW, THEREFORE, in consideration of their mutual promises, the Parties agree as follows:

**I.
GOVERNANCE**

1.1 PARTNER and ACQUIRER will each maintain their respective separate corporate existences, and ACQUIRER will continue to operate the School under its existing charter and school name.

1.2 Except for any obligations created under this Agreement or any other written agreement entered into by and between the Parties, neither Party shall (i) assume or become obligated in any way for the debts, liabilities or obligations of the other Party or (ii) have any rights or interests in or to any asset of the other Party.

1.3 If, by the later of (i) May 31, 2019, or (ii) date on which ACQUIRER completes its due diligence with respect to PARTNER and ACQUIRER's board of directors approves the results of such due diligence, the ACQUIRER Board determines that it would be beneficial for ACQUIRER to merge with PARTNER (pursuant to a corporate merger), or otherwise pursue a closer tie between the corporations including but not limited to ACQUIRER becoming the sole statutory member of REALM (the "Merger"), the respective Parties will determine the terms of such a Merger, which Merger shall be subject to the approval of the boards of directors of both Parties consistent with requirements of the California Nonprofit Public Benefit Corporation Law, and approval of the authorizers of the charter schools operated by the Parties, if necessary.

II. INTEGRATION

2.1 To achieve ever-improving student performance and success, PARTNER shall make commercially reasonable efforts to collaborate with ACQUIRER to provide an opportunity for students enrolled in PARTNER'S School to participate in independent study. ACQUIRER has experience and expertise in creating a collaborative virtual learning community, inspiring scholars to appreciate the ways in which arts and sciences nurture a curiosity for life-long learning, and prepare scholars to take responsibility for their future success. Providing this opportunity for students enrolled in the School would be consistent with PARTNER'S mission to cultivate resiliency, develop critical thinking skills, advance knowledge through rigorous studies, and equip students to serve their communities and the world in the 21st century.

2.2 In connection with the affiliation and the integration described above, the Parties will at all times comply with the requirements of California law including, without limitation, the California Charter Schools Act (Education Code Sections 47600 *et seq.*) and the California Nonprofit Public Benefit Corporation Law (Corporations Code Sections 5110 *et seq.*).

III. AGREEMENT FOR ADMINISTRATIVE SERVICES

3.1 ACQUIRER's leadership team will act as advisors to PARTNER's leadership team. At the option of ACQUIRER, and within seven (7) calendar days following written notice from ACQUIRER to PARTNER, the Parties shall enter into an employee leasing agreement for the provision of the senior administrative leadership services ("Administrative Services Agreement") under which ACQUIRER will provide senior administrative leadership services for the efficient operation of PARTNER.

3.2 By January 23, 2019, PARTNER will approve, and the PARTNER administration promptly will implement, a debt-reduction plan for PARTNER, which debt-reduction plan shall be subject to a periodic formal assessment of the progress in meeting the goals thereof. Such assessment shall be submitted to the PARTNER Board and ACQUIRER Board not less often than monthly.

IV.

FINANCIAL ASSISTANCE

4.1 Simultaneously with the execution of this Agreement, the Parties shall enter into a loan agreement in the form attached hereto as Exhibit 4.1 (Loan Agreement, including unsecured promissory note), in the aggregate principal amount of One-Hundred Thousand Dollars (\$100,000) with a one-year term and which shall bear interest at a rate equal to Three and a Half Percent (3.5%) per annum, or the maximum rate allowable by law, whichever is lower.

4.1.1 Events of default under the Loan Agreement shall include but not be limited to:

4.1.1.1 PARTNER defaults in the payment of any amount owing under the unsecured promissory note when it becomes due and payable pursuant to the Maturity Date set forth in the Loan Agreement.

4.1.1.2 PARTNER commits any default or fails to fulfill any obligation under the unsecured promissory note or the Loan Agreement.

4.1.1.3 PARTNER fails to cure any breach of this Agreement within five (5) business days of notice from ACQUIRER.

4.1.1.4 PARTNER uses Loan funds for reasons other than for construction of its middle school site at the Pacific School of Religion's Seeley Mudd Building, 1798 Scenic Drive, Berkeley, CA 94709 ("Middle School Site") within the District boundaries.

4.1.1.5 PARTNER fails to commence school operations at its Middle School Site within the District boundaries by January 23, 2019.

4.1.1.6 PARTNER fails to resolve the Notice of Intent to Revoke, issued by the District to Borrower dated November 19, 2018 ("Notice of Intent to Revoke"), prior to such revocation.

4.1.1.7 PARTNER fails to provide ACQUIRER with any notice of concern, notice to cure, notice of violation, or notice of intent to revoke the School's Charter, within one (1) business day of PARTNER's receipt of such notice.

4.1.1.8 PARTNER's Charter for the School is revoked for any reason.

4.1.1.9 PARTNER fails to submit any material revisions of its School Charter to the District that may be necessary to resolve the Notice of Intent to Revoke and/or continue operation of the School under its Charter, no later than December 31, 2018.

4.1.1.10 PARTNER fails to use commercially reasonable efforts to reduce its debt and liabilities, which shall include negotiations with its other creditors.

4.1.1.11 PARTNER has failed to obtain any necessary approvals, consents, authorizations, licenses, certificates and waivers required by law or reasonably necessary to properly effectuate the Affiliation Agreement and/or the Loan.

4.1.1.12 PARTNER has failed to disclose to ACQUIRER in writing all material actions, suits, proceedings, inquiries or investigations, before any court or federal, state, municipal or other governing authority, or defaults of any agreement or obligation, pending, or to the knowledge of the PARTNER, after reasonable investigation, threatened, against or affecting PARTNER.

4.1.1.13 PARTNER enters into any loan agreement, indenture, bond, note, sale of receivables or any indebtedness without prior a minimum of three (3) business days prior written notice to ACQUIRER, unless a shorter time period is agreed to by ACQUIRER in writing.

4.2 The Parties may enter into additional loan agreements in consideration and furtherance of this Affiliation Agreement. Any additional loans to PARTNER from ACQUIRER shall be approved by the governing boards of PARTNER and ACQUIRER and shall be subject to terms and conditions stated in a separate loan agreement and related documents. Any additional loan agreements may include conditions and obligations different from the initial loan agreement as described in Section 4.1, above.

V

CONDITION TO EFFECTIVENESS OF AGREEMENT

As a condition to the effectiveness of this Agreement and to the consummation of the affiliation, PARTNER shall (i) obtain all approvals, consents, authorizations, licenses, certificates and waivers, in form and substance acceptable to ACQUIRER, required by law or reasonably necessary to properly effectuate the affiliation (including, without limitation, any approvals, consents, authorizations and/or waivers required under or in connection with (A) any loan agreement, line of credit, note, debt instrument, guarantee, security agreement, lease or other agreement under which PARTNER is liable or to which PARTNER is a party or (B) any guarantee, security agreement, pledge or similar agreement or instrument given by any third party for the benefit of, or to secure or guarantee any liability of, PARTNER), and (ii) simultaneously with the execution of this Agreement, deliver to ACQUIRER such approvals, consents, authorizations, licenses, certificates and waivers. Should PARTNER fail to satisfy this condition, such failure shall not terminate PARTNER's obligations, or limit ACQUIRER's rights, under any loan agreement or promissory note pursuant to which ACQUIRER has provided funds to PARTNER.

VI

TERM

6.1 The term of this Agreement shall commence upon execution of this Agreement by both Parties, and shall continue in full force and effect until terminated as follows:

(a) A Party's notice of termination given not less than one hundred eighty (180) days prior to termination.

(b) By mutual agreement of the Parties.

(c) Upon execution of a merger agreement by both Parties.

(d) Either Party commences a voluntary case under bankruptcy, insolvency, or similar law, or any involuntary case under any bankruptcy, insolvency, or similar law shall be filed against either Party.

(e) The revocation or non-renewal of PARTNER's charter to operate the School.

6.2 Any loan agreement and/or Administrative Services Agreement entered into by the Parties, including all rights and obligations thereunder, shall remain in full force and effect notwithstanding the termination of this Agreement.

VII. GENERAL

7.1 Entire Agreement.

This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations, or other agreements.

7.2 Further Assurances.

Each Party hereto agrees to perform any further acts and to execute and deliver any further documents which may be reasonably necessary to carry out the provisions of this Agreement.

7.3 Notices.

All notices, which may be given by either Party to the other, shall be in writing and delivered personally by overnight courier service such as Federal Express, or by United States mail, first class postage prepaid, certified return-receipt-requested and addressed as follows:

TO ACQUIRER: Compass Charter Schools
850 Hampshire Road, Suite P
Thousand Oaks, CA 91361
Attention: Superintendent and CEO

TO PARTNER: REALM Charter Schools
2023 8th Street
Berkeley, CA 94710
Attention: Executive Director

Notices shall be deemed received upon the earlier of actual delivery or three (3) days after deposit in the United States mail in the manner provided for above. Either Party may change a notice address by giving notice in the manner specified herein.

7.4 Amendments.

No amendment to this Agreement shall be binding on either Party unless such amendment is in writing and executed by both Parties.

7.5 Parties As Independent Entities.

None of the provisions of this Agreement are intended to create nor shall be deemed or construed to create any relationship between ACQUIRER and PARTNER other than for the purpose of effecting the provisions of this Agreement. Neither of the Parties hereto, nor any of their respective officers, directors, or employees, shall be construed to be the agent, employer, or representative of the other except as specifically provided herein. Neither Party is authorized to speak on behalf of the other for any purpose whatsoever without the prior consent in writing of the other. The Parties shall select a spokesperson for the affiliation.

7.6 Construction.

To the extent that there are any rights, duties, obligations, or responsibilities enumerated in the recitals or otherwise in this Agreement, they shall be deemed a part of the operative provisions of this Agreement and fully binding upon the Parties. This Agreement shall be construed as establishing a contractual relationship between ACQUIRER and PARTNER. It is not intended to establish any contractual relationships between the Parties and their employees. This Agreement is only for the benefit of the Parties of this Agreement and there are no third-party beneficiaries.

7.7 Waivers.

Waiver by any Party of any breach or provision of this Agreement or warranty or representation herein set forth shall not be construed as a waiver of any subsequent breach of the same or any other provision. Failure to exercise any right hereunder shall not operate as a waiver of such right. Any waiver of any terms and conditions hereof must be in writing and signed by the Parties hereto.

7.8 Exhibits.

Any and all exhibits and other agreements between the Parties referenced herein and/or attached hereto are incorporated herein by reference and made a part of this Agreement.

7.9 No Assignment of Rights.

Neither Party hereto shall have the power or the right to assign this Agreement in whole or in part to any person or entity without the prior written consent of the other Party, and any attempt to do so shall be void and of no legal effect.

7.10 Governing Law.

This Agreement shall be construed in accordance with the laws of the State of California.

7.11 Headings.

Articles and section or paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

7.12 Severability.

If any provision or any part of a provision of this Agreement is held invalid or unenforceable, such invalidity or unenforceability shall not invalidate or render unenforceable any other portion of this Agreement.

7.13 Survival.

Provisions contained in this Agreement that by their sense and context are intended to survive completion of performance, termination, or cancellation of this Agreement, shall so survive.

7.14 Remedies.

Any rights of cancellation, termination, or other remedies prescribed in this Agreement are cumulative and are not exclusive of any other remedies to which the injured Party may be entitled.

7.15 Force Majeure.

Neither ACQUIRER nor PARTNER shall be deemed to be in violation of this Agreement if either is prevented from performing any of its obligations hereunder for any reason beyond its reasonable control, including but not limited to strikes, regulation or rule of the federal or any state or local government or any agency thereof, or decision rendered by any court, including decisions rendered against or affecting either ACQUIRER or PARTNER.

7.16 Authorization Warranty.

Each Party hereby represents that the person(s) executing this Agreement on behalf of such Party is an authorized agent who has actual authority to bind such Party to each and every term, condition, and obligation set forth in this Agreement and that all requirements of such Party have been fulfilled to provide such actual authority.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first set forth above.

ACQUIRER

PARTNER

By: _____
Title: Superintendent and CEO

By: _____
Title: Executive Director

EXHIBIT 4.1
LOAN AGREEMENT

LOAN AGREEMENT

This Loan Agreement (“Agreement”) is executed as of December 10, 2018 (“Effective Date”), by and between Compass Charter Schools, a California nonprofit public benefit corporation (“Lender”), and REALM Charter Schools, a California nonprofit public benefit corporation that operates a public charter school (“Borrower”), with respect to the following facts:

A. Borrower is a California nonprofit public benefit corporation that has been determined to be exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, whose charitable purposes include to manage, operate, guide, direct and promote one or more California public charter schools.

B. Borrower operates a REALM Charter School (“School”) under a charter authorized by Berkeley Unified School District (“District”).

C. Lender is a California nonprofit public benefit corporation that has been determined to be exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, whose charitable purposes include to create, manage, operate, guide, direct and promote one or more public Charter Schools and currently operates three public charter schools.

D. Borrower and Lender have entered into an affiliation agreement dated December 10, 2018 (“Affiliation Agreement”), for the primary and specific purposes of supporting, benefitting and furthering the charitable and educational purposes of both Parties. This Agreement is made in consideration and further of the Affiliation Agreement.

E. Borrower is in need of financing to re-start construction of its middle school site located at the Pacific School of Religion’s Seeley Mudd Building, 1798 Scenic Drive, Berkeley, CA 94709 within the boundaries of the District (“Middle School Site”) and to address a pending Notice of Intent to Revoke issued by the District to Borrower dated November 19, 2018, and Lender desires and has adequate funds to provide Borrower with a one-year loan in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) to use towards construction of the School’s Middle School Site (“Loan”).

F. The parties understand and acknowledge the Loan is in furtherance of the Affiliation Agreement, and as such, the Loan serves and furthers Lender’s charitable purposes to manage, operate, guide, direct and promote charter schools like the School.

G. The parties understand and acknowledge that Borrower’s acceptance of this Loan furthers Borrower’s charitable purposes to manage, operate, guide, direct and promote one or more California public charter schools.

H. In order to document their respective rights and obligations with regard to the Loan, the parties desire to enter into this Agreement upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Loan. Subject to all terms and conditions of this Agreement, Lender will provide the Loan in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000), and which shall

bear interest at a rate equal to Three and a Half Percent (3.5%) per annum or the maximum rate allowable by law, whoever is lower, by December 31, 2018. The Loan is evidenced by an unsecured promissory note (“Note”) in the form and substance of Exhibit A attached hereto.

2. Repayment. Borrower shall repay Lender the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) plus any accrued interest, which amount shall due and payable on December 31, 2019 (“Maturity Date”); provided, however, (i) Borrower may prepay in whole or in part as set forth in Section 3 herein, and (ii) the Maturity Date and/or payment schedule due dates may be extended at the option of the Lender.

3. No Penalty for Prepayment. Borrower may prepay in whole or in part the Loan at any time prior to the Maturity Date without penalty.

4. Defaults. The occurrence of any one of the following events shall constitute an event of default hereunder:

a. Borrower defaults in the payment of any amount owing under the Note when it becomes due and payable pursuant to the Maturity Date set forth in Section 2 herein.

b. Borrower commits any default or fails to fulfill any obligation under the Note or this Agreement.

c. Borrower fails to cure any breach of the Affiliation Agreement within five (5) business days of notice from Lender.

d. Borrower uses Loan funds for reasons other than for construction of its Middle School Site within the District boundaries.

e. Borrower fails to commence school operations at its Middle School Site within the District boundaries by January 23, 2019.

f. Borrower’s fails to resolve the Notice of Intent to Revoke, issued by the District to Borrower dated November 19, 2018, prior to such revocation.

g. Borrower fails to provide Lender with any notice of concern, notice to cure, notice of violation, or notice of intent to revoke the School’s Charter, within one (1) business day of Borrower’s receipt of such notice.

h. Borrower’s Charter for the School is revoked for any reason.

i. Borrower fails to submit any material revisions of its School Charter to the District that may be necessary to resolve the Notice of Intent to Revoke and/or continue operation of the School under its Charter, no later than December 31, 2018.

j. Borrower fails to use commercially reasonable efforts to reduce its debt and liabilities, which shall include negotiations with its other creditors.

k. Borrower has failed to obtain any necessary approvals, consents, authorizations, licenses, certificates and waivers required by law or reasonably necessary to properly effectuate the Affiliation Agreement and/or the Loan.

l. Borrower has failed to disclose to Lender in writing all material actions, suits, proceedings, inquiries or investigations, before any court or federal, state, municipal or other governing authority, or defaults of any agreement or obligation, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting Borrower.

m. Borrower enters into any loan agreement, indenture, bond, note, sale of receivables or any indebtedness without prior a minimum of three (3) business days prior written notice to Lender, unless a shorter time period is agreed to by Lender in writing.

If an event of default occurs and is not cured within ten (10) days, Lender shall have the right to take such action as may be available to Lender hereunder or under applicable law. This includes Lender's right, at its sole and exclusive option, to declare the remaining amount due under this Agreement to be due and payable immediately after Borrower fails to cure the default within the ten (10) day cure period.

5. Expenses. In the event any payment under this Agreement is not paid when due, upon Lender's request, the Borrower agrees to pay, in addition to the principal hereunder, reasonable attorneys' fees plus all other reasonable costs and expenses incurred by the Lender in exercising any of its rights and remedies upon default.

6. Notice. All notices, requests, offers or demands or other communications (collectively "Notice") given to or by the parties under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if personally served on the party to whom Notice is to be given, or seventy-two (72) hours after mailing by United States mail first class, registered or certified mail, return-receipt-requested, postage prepaid, addressed to the party to whom Notice is to be given, at such party's address set forth on the signature page of this Agreement or such other address provided by Notice, or upon delivery by FedEx, addressed to the party to whom Notice is to be given, at such party's address set forth on the signature page of this Agreement or such other address provided by Notice.

7. Miscellaneous.

a. Except as otherwise permitted hereunder, Borrower shall not assign this Agreement, any interest in this Agreement or its rights or obligations under this Agreement without the express prior written consent of Lender. Subject to the foregoing, this Agreement shall be binding on, and shall inure to the benefit of, the parties and their respective permitted successors and assigns.

b. This Agreement, any Exhibit referenced herein, the Note and the Affiliation Agreement constitute the entire agreement between the parties with respect to the subject matter contained herein and supersede all agreements, representations and understandings of the parties with respect to such subject matter made or entered into prior to the date of this Agreement. In the event of any conflict between the terms of this Agreement and the Affiliation Agreement, the terms of this Agreement shall prevail.

c. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties. No waiver of any provision of this Agreement shall constitute, or be deemed to constitute, a waiver of any other provision, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

d. This Agreement is entered into solely for the benefit of the parties hereto and no term, provision or covenant hereunder shall confer or be deemed to confer any benefit on any third party.

e. This Agreement shall be governed by and interpreted under California law, without regard to the choice of law principles thereof.

f. If any provision of this Agreement is invalid or contravenes applicable law, such provision shall be deemed not to be a part of this Agreement and shall not affect the validity or enforceability of its remaining provisions.

[SIGNATURE BLOCK ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

BORROWER:

REALM Charter Schools,
a California nonprofit public benefit corporation

By: _____

Its: Executive Director

Address: 2023 8th Street
Berkeley, CA 94710

LENDER:

Compass Charter Schools,
a California nonprofit public benefit corporation

By: _____

Its: Superintendent & CEO

Address: 850 Hampshire Road, Suite P
Thousand Oaks, CA 91361

EXHIBIT A
Form of Promissory Note

PROMISSORY NOTE

\$100,000.00

Berkeley, California

December 10, 2018

For value received, REALM Charter Schools, a California nonprofit public benefit corporation (“Borrower”) promises to pay to Compass Charter Schools, a California nonprofit public benefit corporation (“Holder”), at 850 Hampshire Road, Suite P, Thousand Oaks, CA 91361, or such other place as Holder may from time to time direct Borrower in writing, the sum of \$100,000.00 (“Principal Amount”) plus interest at a rate of 3.5% per annum, or the maximum rate allowable by law, whichever is lower.

This Note is executed under the terms of that certain loan agreement of even date herewith between Holder and Borrower (“Loan Agreement”). The entire Principal Amount will be payable by Borrower to Holder pursuant to the payment schedule set forth in Section 2 of the Loan Agreement with the entire remaining indebtedness due and payable on December 31, 2019 (“Maturity Date”), provided that that Maturity Date may be extended at the option of the Holder.

The occurrence of any one of the following events shall constitute an event of default under this Note:

- a. Borrower defaults in the payment of any amount owing under the Note when it becomes due and payable pursuant to the Maturity Date set forth in Section 2 herein.
- b. Borrower commits any default or fails to fulfill any obligation under the Note or this Agreement.
- c. Borrower fails to cure any breach of the Affiliation Agreement within five (5) business days of notice from Lender.
- d. Borrower uses Loan funds for reasons other than for construction of its Middle School Site within the District boundaries.
- e. Borrower fails to commence school operations at its Middle School Site within the District boundaries by January 23, 2019.
- f. Borrower’s fails to resolve the Notice of Intent to Revoke, issued by the District to Borrower dated November 19, 2018, prior to such revocation.
- g. Borrower fails to provide Lender with any notice of concern, notice to cure, notice of violation, or notice of intent to revoke the School’s Charter, within one (1) business day of Borrower’s receipt of such notice.
- h. Borrower’s Charter for the School is revoked for any reason.
- i. Borrower fails to submit any material revisions of its School Charter to the District that may be necessary to resolve the Notice of Intent to Revoke and/or continue operation of the School under its Charter, no later than December 31, 2018.
- j. Borrower fails to use commercially reasonable efforts to reduce its debt and liabilities, which shall include negotiations with its other creditors.

k. Borrower has failed to obtain any necessary approvals, consents, authorizations, licenses, certificates and waivers required by law or reasonably necessary to properly effectuate the Affiliation Agreement and/or the Loan.

l. Borrower has failed to disclose to Lender in writing all material actions, suits, proceedings, inquiries or investigations, before any court or federal, state, municipal or other governing authority, or defaults of any agreement or obligation, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting Borrower.

m. Borrower enters into any loan agreement, indenture, bond, note, sale of receivables or any indebtedness without prior a minimum of three (3) business days prior written notice to Lender, unless a shorter time period is agreed to by Lender in writing.

If an event of default occurs and is not cured within ten (10) days, Holder shall have the right to take such action as may be available to Holder hereunder, under the Loan Agreement, or under applicable law. This includes Holder’s right, at its sole and exclusive option, to declare the remaining amount due under the Loan Agreement to be due and payable immediately after Borrower fails to cure the default within the ten (10) day cure period. In the event any payment under the Loan Agreement is not paid when due, upon Holder’s request, the Borrower agrees to pay, in addition to the Principal Amount, reasonable attorneys’ fees plus all other reasonable costs and expenses incurred by the Holder in exercising any of its rights and remedies upon default.

The Principal Amount shall be due and payable in lawful money of the United States of America. Borrower waives diligence, presentment, protest and demand, notice of protest, notice of dishonor and notice of nonpayment of this Note. Time is of the essence hereof.

The validity, interpretation and enforceability of and the rights and obligations of the undersigned and Holder under this Note shall be governed by, interpreted and construed in accordance only with the laws of the State of California, the state in which this Note was executed and delivered.

Dated: _____, 2018

REALM Charter Schools,
a California nonprofit public benefit corporation

By: _____
Its: _____



**RESOLUTION OF THE BOARD OF DIRECTORS OF
COMPASS CHARTER SCHOOLS**

Board Resolution 2018-03

Affiliation Agreement with REALM Charter Schools,
Including Financial Assistance

The Board of Directors ("Board") of Compass Charter Schools ("Compass") does hereby adopt the following resolution:

WHEREAS, Compass is a California nonprofit public benefit corporation that has been determined to be exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, whose charitable purposes include to create, manage, operate, guide, direct and promote one or more public charter schools and currently operates three public charter schools;

WHEREAS, REALM Charter Schools ("REALM") is a California nonprofit public benefit corporation that has been determined to be exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, whose charitable purposes include to manage, operate, guide, direct and promote one or more California public charter schools and currently operates a public charter school known as REALM Charter School ("School") authorized by Berkeley Unified School District ("District");

WHEREAS, Compass and REALM desire to enter into an affiliation agreement ("Affiliation Agreement") for the primary and specific purposes of supporting, benefitting and furthering the charitable and educational purposes of both parties, in the form attached hereto as Exhibit A and incorporated by reference;

WHEREAS, Compass will benefit from the Affiliation Agreement by expanding its opportunities to provide independent study programs;

WHEREAS, REALM is in need of financing to re-start construction of its middle school site located at the Pacific School of Religion's Seely Mudd Building, 1798 Scenic Drive, Berkeley, CA 94709 within the boundaries of the District ("Middle School Site") and to address a pending Notice of Intent to Revoke the School's Charter issued by the District to REALM and dated November 19, 2018;

WHEREAS, in consideration and furtherance of the Affiliation Agreement, Compass desires and has adequate surplus, unrestricted funds to provide REALM with a one-year loan in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000), and which shall bear interest at a rate equal to Three and a Half Percent (3.5%) per annum, or the maximum rate

allowable by law, whichever is lower, to use towards the construction of the School's Middle School Site ("Loan");

WHEREAS, the Loan serves and furthers Compass's charitable purposes to create, manage, operate, guide, direct and promote one or more public charter schools;

WHEREAS, in order to document Compass' and REALM's respective rights and obligations with regard to the Loan, the Board of Directors of Compass, as lender, has reviewed and desires to enter into the Loan Agreement and unsecured Promissory Note (collectively, the "Loan Documents") attached hereto as Exhibit 4.1 to the Affiliation Agreement and incorporated by reference; and

WHEREAS, this Board of Directors hereby finds that the Loan as set forth in the Loan Documents will not adversely impact Compass' continued and successful operations and is just and reasonable as to Compass in furtherance of Compass's charitable purposes at the time it is reviewed and authorized pursuant to this resolution.

NOW, THEREFORE, this Board does hereby find, resolve and order as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. The Affiliation Agreement, including the Loan, are hereby approved and this Board of Directors has reviewed and approved the Loan Documents; and

Section 3. The Superintendent & Chief Executive Officer ("CEO") and Secretary of Compass, or the duly delegated representatives of any of the foregoing (each an "Authorized Officer"), acting alone or together, are hereby authorized and directed to execute and deliver the Affiliation Agreement and Loan Documents, certify the foregoing resolutions and take or cause to be taken all such other actions as may be required to fulfill the purposes of the foregoing resolutions.

* * *

IN WITNESS WHEREOF, the Board of Directors has adopted the above resolution at a special Board meeting this 7th day of December, 2018.

By: _____
J.J. Lewis, Superintendent & CEO