

LOAN AGREEMENT

This Loan Agreement (“Agreement”) is executed as of March 6, 2019 (“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, as well as a prior Loan Agreement in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) to use towards construction of the School’s middle school site (“Initial Loan”) which Initial Loan remains outstanding.

E. Borrower and Lender have also entered into an agreement and plan of merger dated January 30, 2019 (“the Merger Agreement”), as well as a second Loan Agreement in the aggregate principal amount of Two Hundred Fifty Thousand Dollars (\$250,000) to use towards operation of its School (“Second Loan”) which Second Loan remains outstanding. This Agreement is made in consideration and further of the Merger Agreement.

F. Borrower is in need of additional financing for operations of its School, and Lender desires and has adequate funds to provide Borrower with a one-year loan in the aggregate principal amount of Five Hundred Thousand Dollars (\$500,000) to use towards such operations of the School (“Third Loan”). The Third Loan shall be in addition to the existing Initial Loan and Second Loan.

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

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

I. In order to document their respective rights and obligations with regard to the Third 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 Third Loan in the aggregate principal amount of Five Hundred Thousand Dollars (\$500,000), 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, to be paid in accordance with the following schedule. Lender will provide Borrower with Two Hundred Fifty Thousand Dollars (\$250,000) within ten (10) business days following REALM's approval, execution and delivery of this Loan Agreement. Lender will provide Borrower with the remaining Two Hundred Fifty Thousand Dollars (\$250,000) on May 1, 2019, provided that the following conditions have been met: (1) No Event of Default has occurred under this Agreement or any other agreement between Lender and Borrower, including but not limited to the Initial Loan, Second Loan and Merger Agreement, (2) the Merger Agreement has not been terminated, and (3) the District has approved a material revision to the charter for the School regarding the merger, including Lender's operation of the School following the merger. The Loan shall be evidenced by two unsecured promissory notes ("Notes") in the form and substance of Exhibit A attached hereto.

2. Repayment. Borrower shall repay Lender the aggregate principal amount of Five Hundred Thousand Dollars (\$500,000) plus any accrued interest, which amount shall due and payable on January 31, 2020 ("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 Merger Agreement within five (5) business days of notice from Lender.

d. Borrower uses Loan funds for reasons other than for operations of the School.

e. 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.

f. Borrower's Charter for the School is revoked for any reason.

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

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

i. 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.

j. 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 Notes and the Merger 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 Merger 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: Victor Diaz
Its: Executive Director

Address: 2023 8th Street
Berkeley, CA 94710

LENDER: Compass Charter Schools,
a California nonprofit public benefit corporation

By: J.J. Lewis
Its: Superintendent & CEO

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

EXHIBIT A
Form of Promissory Notes

PROMISSORY NOTE

\$250,000.00

Berkeley, California

March 6, 2019

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 \$250,000.00 (“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 January 31, 2020 (“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 Merger Agreement within five (5) business days of notice from Lender.
- d. Borrower uses Loan funds for reasons other than for operation of the School.
- e. 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.
- f. Borrower’s Charter for the School is revoked for any reason.
- g. Borrower fails to use commercially reasonable efforts to reduce its debt and liabilities, which shall include negotiations with its other creditors.
- h. Borrower has failed to obtain any necessary approvals, consents, authorizations, licenses, certificates and waivers required by law or reasonably necessary to properly effectuate the Merger Agreement and/or the Loan.
- i. 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.
- j. 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: March 6, 2019

REALM Charter Schools,
a California nonprofit public benefit corporation

By: Victor Diaz
Its: Executive Director

PROMISSORY NOTE

\$250,000.00

Berkeley, California

May 1, 2019

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 \$250,000.00 (“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 January 31, 2020 (“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:

- k. 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.
- l. Borrower commits any default or fails to fulfill any obligation under the Note or this Agreement.
- m. Borrower fails to cure any breach of the Merger Agreement within five (5) business days of notice from Lender.
- n. Borrower uses Loan funds for reasons other than for operation of the School.
- o. 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.
- p. Borrower’s Charter for the School is revoked for any reason.
- q. Borrower fails to use commercially reasonable efforts to reduce its debt and liabilities, which shall include negotiations with its other creditors.
- r. Borrower has failed to obtain any necessary approvals, consents, authorizations, licenses, certificates and waivers required by law or reasonably necessary to properly effectuate the Merger Agreement and/or the Loan.
- s. 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.
- t. 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: May 1, 2019

REALM Charter Schools,
a California nonprofit public benefit corporation

By: Victor Diaz
Its: Executive Director