

CHARTER AGREEMENT

This **Charter Agreement** (hereafter “Charter” or “Agreement”) is entered into pursuant to U.C.A. §§53A-1a-503.5(1)(c) and 508, on this 12th day of June 2017 by and between the Utah State Charter School Board, (hereafter “SCSB” or the “Charter school authorizer,” pursuant to §53A-1a-501.3(3) or just “Authorizer”), and Krab Academies, LLC (the “Applicant(s)”), (together collectively, the “Parties”) to operate the Krusty Krab Academy (the “Charter School” or “School”), a public Charter school under the Utah Charter Schools Act, U.C.A. §53A-1a-501, *et seq* (the “Act”).

WITNESSETH:

WHEREAS, the State of Utah (the “State”) enacted the Utah Charter Schools Act, codified as U.C.A. §53A-1a-501, *et seq.*, with the intent of serving the needs of free public education in both elementary and secondary schools; and

WHEREAS, under the Act duly authorized Charter Schools are deemed to be public schools¹ subject to the leadership, supervision, regulation, and oversight of the SCSB and the Utah State Board of Education (“USBE”); and

WHEREAS, pursuant to U.C.A. §53A-1a-505 of the Act, the SCSB has the authority and is recognized to be an “authorizer” otherwise empowered to establish charter schools in the State and to enter into Charter Agreements pursuant to U.C.A. §53A-1a-508, with approved Applicants setting forth the terms and conditions under which the Charter School is to operate; and

WHEREAS, Applicant(s) submitted an application (together with attachments and addenda, the “Application”) to establish a Charter School pursuant to U.C.A. §53A-1a-504 of the Act; and

WHEREAS, the Application was approved pursuant to U.C.A. §53A-1a-505 by the SCSB, and the USBE on or before February 10, 2017; and

WHEREAS, the Parties hereto now enter into this Charter Agreement, agreeing to be legally bound thereby, and to establish meaningful benchmarking of performance and outcomes of the education process including developing as part of this Agreement clear, measurable performance standards and operational minimum standards which will be regularly reviewed by the Charter School’s Governing Board and by the SCSB as provided herein for evaluative, accountability, and monitoring purposes²; and

WHEREAS, the Charter School, through its Governing Board, may request technical assistance from the SCSB in any area, including curriculum matters and financial concerns³, however, in no event is the USBE³), or the SCSB responsible for any financial or

¹ U.C.A. § 53A-1a-503.5 (1)(a).

² U.C.A. §53A-1a-501.6

³ U.C.A. §53A-1a-501.6

technical support provided other than the funding and technical assistance as expressly required by law, nor are the USBE, or the SCSB responsible for the outcome or the liability associated with any decision the Charter School makes based on such assistance; and

WHEREAS, the Parties recognize and agree that the Legislature may amend the Act or any other governing or applicable statute and the USBE may promulgate rules which shall be binding on the Parties as to matters agreed to hereto and such amendments to statutes, or rules shall automatically become part of this Agreement and amend or supersede anything that has otherwise been agreed to herein.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, and agreements contained herein, and the recitals provided above, the Parties hereby agree as follows:

SECTION 1. ESTABLISHMENT OF THE CHARTER SCHOOL

1.1 The Charter School. The SCSB, as an Authorizer under U.C.A. §53A-1a-501.3(3) hereby authorizes Applicant to establish a charter school pursuant to the Act and this Charter Agreement.

1.2 Charter Agreement⁴. This Charter Agreement is a legally binding documents and consists of this signed Agreement, including all attachments, specifically, Exhibit “A,” and all applicable State and Federal statutes, regulations, and rules, as each may be amended from time to time. In addition, incorporated by reference are all USBE rules unless specifically waived pursuant to U.C.A. §53A-1a-511.

For purposes of interpretation, these governing authorities shall be construed consistently but in case of a conflict, they shall be given precedence in the following order: first, State and Federal statutes and regulations; then USBE rules and SCSB policies; then this Agreement including all exhibits and attachments.

1.3 Compliance with Laws, Regulations and Rules. The Charter School, through its Governing Board, shall comply with all applicable state and federal laws, regulations, and rules⁶. Neither the SCSB nor the local board of education assumes the duty to oversee the operations of the Charter School except as may otherwise be provided by law or separate contract.

1.4 Other Rules. The USBE or its designees are authorized by statute to develop and implement additional rules for administering Utah’s charter schools program.⁷ Such new

⁴ U.C.A. §53A-1a-508

⁵ U.C.A. §53A-1a-505 (3); and U.C.A. §53A-1a-503.5(1)(c)

⁶ U.C.A. §53A-1a-508 (2) (f)

⁷ U.C.A. §53A-1a-503.5(1)(b),

or additional rules are incorporated herein by reference and all amendments thereto, with or without notice, when they are duly enacted or promulgated as provided by law.⁸

- 1.5 Maintain High Standards. The SCSB commits to maintaining high standards for the charter schools it authorizes; overseeing charter schools that, over time, meet the performance standards and targets on a range of measures and metrics set forth in this Charter Agreement; and closing schools that fail to meet standards and targets set forth in law and Agreement
- 1.6 Monitoring and Oversight.⁹ To permit the SCSB as the Authorizer hereunder to fulfill its monitoring and oversight functions under the Act, U.C.A. §53A-1a-501.6(1)(b), and ensure that the School is in compliance with all applicable laws, regulations, rules, and the terms and conditions of this Agreement¹⁰, the Charter School agrees to fully support SCSB’s oversight and monitoring responsibilities including responding to all timely requests for reports,¹¹ audits,¹² formal and informal investigations, formal and informal visits and inspections of books and records of the Charter School.¹³ SCSB will use best efforts in exercising its oversight function to secure and review information or records that have been previously submitted by the Charter Schools to relieve administrative cost associated with duplicate requests.

SECTION 2. OPERATION OF SCHOOL

- 2.1 Mission Statement. The Charter School shall be operated by the School’s Governing Board,¹⁴ pursuant to its mission statement, set forth in Exhibit A.
- 2.2 Governance. The Charter School shall be governed by a Governing Board.¹⁵ The Governing Board of the charter school shall have the authority, as established in its articles, bylaws and this Agreement to decide matters related to the operation of the Charter School and shall have final responsibility for the academic and operational performance of the Charter School. Nothing herein shall prevent the Governing Board from delegating decision-making authority for policy and operational decisions to

⁸ See e.g., § 53A-1a-504(4) (“shall make rules regarding expansion of charter school”); § 53A-1a-506(2) (“shall make a rule providing a timeline for opening of a charter school”); § 53A-1a-506.5(2) (“shall make rules describing procedures for student to follow in applying for entry into, or exiting charter school”); § 53A-1a-509(5) (“shall make rules” for remedying deficiencies); § 53A-1a-510(4) (“shall make rules that require a charter school to report threats to health, safety, or welfare”); § 53A-1a-510.5(8) (“may make rules that provide additional closure requirements”); § 53A-1a-513(7) (“shall also adopt rules relating to the transportation of students”); § 53A-1a-513.5(3) and (4) (“shall make rules” regarding awarding of grants and mentoring programs); § 53A-1a-519(2) (“may establish rules to allow a charter school student to participate in extracurricular activity”); § 53A-1a-520 (“shall make rules that require a charter school to develop an accountability plan”).

⁹ U.C.A. §53A-1a-501.6 (1)(a) and (b)

¹⁰ Id.

¹¹ U.C.A. §53A-1a-507 (5)(b)(2), and U.C.A. §53A-1a-507 (4)(a)

¹² U.C.A. §53A-1a-507 (4)(b)

¹³ U.C.A. §53A-1a-507 (5)(b)(iii)

¹⁴ U.C.A. §53A-1a-503.5(1)(c),

¹⁵ U.C.A. §53A-1a-504 (2)

officers, employees, and agents of the Charter School but ultimate responsibility for and oversight of any such delegated authority shall remain at all times with the Governing Board.

2.3 Compliance. The Governing Board shall institute policies and programs to ensure compliance with the terms and conditions of this Agreement as well as compliance with all governing laws, regulations, and rules.¹⁶

2.4 Public Entity. When authorized and with the signing of this Agreement the Charter School becomes a “public school within the state’s public education system,” U.C.A. §53A-1a-503.5(1)(a). As a public school under the Act the School is subject to and must abide by all laws, regulations, rules, and policies otherwise effecting such public schools.¹⁷

2.5 School Autonomy.

- a. The SCSB will honor and preserve core autonomies crucial to the Governing Board’s success, including:
 - 1) Hiring and managing personnel, except as otherwise provided herein¹⁸;
 - 2) Establishing a unique school culture;¹⁹
 - 3) Establishing instructional programming, design, and use of time; and
 - 4) Control of essential budgeting.
- b. The SCSB assumes responsibility for holding the Governing Board accountable for the School’s performance as directed by law, rule, and Agreement;²⁰
- c. The SCSB will use best efforts to collect information from the Charter School in a manner that minimizes administrative burdens on the school, while ensuring that performance and compliance information is collected with sufficient detail and timeliness to protect student and public interests;²¹ and
- d. The SCSB will bi-annually review its own compliance requirements, policies, and procedures and evaluate the potential to increase school autonomy based on flexibility in the law, streamlining requirements, demonstrated school performance, or other considerations.²²
- e. The SCSB shall review all leases, lease purchase agreements or other contracts or agreements relating to an authorized Charter School’s facilities or financing of the

¹⁶ U.C.A. §53A-1a-507(5).

¹⁷ U.C.A. §53A-1a-507 (4)

¹⁸ U.C.A. §53A-1a-501.6 (2) (c) (ii)

¹⁹ U.C.A. §53A-1a-503 (2)

²⁰ U.C.A. §53A-1a-501.6

²¹ U.C.A. §53A-1a-507 (5) (b)

²² U.C.A. §53A-1a-507 (5) (c)

charter schools facilities along with the charter schools attorney before the lease, agreement or contract is entered into.²³

- 2.6 Board and School Transparency. The Governing Board agrees to have a website with the content requirements found in R277-482, Utah Administrative Code, posted at least 180 days prior to the opening day of school. In addition, the SCSB requires the website contain links to school data and accountability reports maintained on other websites (e.g., student assessment, audited financial statement, etc.); links to Governing Board meeting dates, agendas, and minutes; and reports created by the Governing Board to provide evidence of how the Charter School performed compared to the assurances and school accountability measures in this Charter Agreement.
- 2.7 Reporting. The Charter School's Governing Board shall submit such reports as required by state and federal law, this Charter Agreement, and as may be requested by the SCSB.²⁴

SECTION 3. SCHOOL FINANCIAL MATTERS

- 3.1 Fiscal Year. The fiscal year of the Charter School shall begin on July 1 of each calendar year of the term of this Charter and shall end on June 30 of the subsequent calendar year.
- 3.2 Insurance/Bonding²⁵
- a. Pursuant to U.C.A. § 63G-7-604(4) and Rule 37-4, U.A.C, the Charter School Governing Board shall obtain and maintain insurance through the Utah State Division of Risk Management or other suitable insurance carrier (with a general policy holder rating of not less than A and a financial rating of AAA as rated in the most current available "Best Guide" Insurance Report) coverage to insure against all claims up to and including the limitation of judgements established by statute and rule. Such coverage shall include but not be limited to:
- 1) General liability;
 - 2) Employee dishonesty bond;
 - 3) Workers' compensation, as specified by federal law;
 - 4) Comprehensive/collision consistent with cash values of vehicles if applicable;
 - 5) Liability insurance specific to the School's Governing Board's financial officer or treasurer or business administrator consistent with coverage designated in USBE rule.
- b. SCSB shall be named as an additional insured under any and all general liability insurance policies required by this section.

²³ U.C.A. §53A-1a-507 (9)

²⁴ U.C.A. §53A-1a-508 (2) (f) (ii)

²⁵ U.C.A. §53A-1a-507 (8)

- c. The provisions of sub-paragraph 3.2 a., above, shall not preclude any Charter School from obtaining liability insurance coverage in addition to or in excess of the requirements stated in this section.
- d. Written proof and copies of required insurance policies shall be provided to the SCSB at least 90 days prior to the initial opening of school. The policies shall be maintained by the SCSB with this Agreement. The School's Governing Board shall provide the SCSB with certificates of insurance as provided herein annually within thirty days of the insurance purchase or renewal.

SECTION 4. CHARTER REVIEW

- 4.1 Reviews. In keeping with the requirements of U.C.A. §53A-1a-501.6(1)(b) the SCSB will perform at least an annual review (more often as the need arises as determined by the Authorizer) and evaluation of the performance of the Charter School and hold the Charter School accountable for its performance. To facilitate the annual or any other review the School shall maintain the necessary records to provide the following:
 - a. Annual Performance Report.²⁶ In keeping with the purpose of the Utah Charter Schools Act, the State Charter School Board will produce for public distribution an annual report that provides clear, accurate, performance data for the Charter School according to the frameworks set forth in the SCSB *Charter School Performance Standards: Financial Performance & Sustainability, Governing Board Stewardship, and School Accountability*, and those found in Exhibit "A," as well as reporting overall portfolio performance.
 - b. Documentation. The Governing Board shall maintain all documents used to determine and support data used to prepare the annual report provided in subsection 4.1 a., and shall submit such additional documents as the SCSB may request.
- 4.2 Review Process. The Charter School review process will be guided by the following core 4.3 questions, and by the purposes, and School Accountability Measures found in Exhibit "A":
 - Is the School's academic quality successful as represented publicly and as described herein?
 - Is the School's organizational structure; governance and financial position viable and sustainable?
 - Have there been any material misrepresentations made to the Authorizer or the public?

²⁶ U.C.A. §53A-1a-501.6 (1) (b)

- Is the School demonstrating good faith in following the terms of its Charter Agreement and all other applicable laws, regulations, and rules?

4.3 Intervention. The SCSB will establish and make known to the Governing Board, consistent with USBE rule,²⁷ the general conditions that may trigger a “Notice of Concern,” “Letter of Warning,” or “Probation,” as provided below. The SCSB will provide to the Governing Board clear, adequate, evidence-based, and timely notice of law, rule, regulation, or Charter Agreement violations or performance deficiencies and allow the Governing Board reasonable time and opportunity for remediation in non-emergency situations. Where intervention is needed, the SCSB will engage in intervention strategies that preserve Governing Board autonomy and responsibility (i.e., identifying what the school must remedy without prescribing solutions), but may take additional action as the circumstances, and exigencies dictate.

- a. Notice of Concern. Staff may issue a “Notice of Concern” addressed to the Governing Board outlining areas of concern.
- b. Letter of Warning. SCSB may direct staff to issue a “Letter of Warning” addressed to the Governing Board identifying deficiencies and providing a timeline by which the deficiencies shall be remedied. The terms of the letter and the consequences associated with the warning will be those found in the letter. In addition, the SCSB may provide focused support to the Charter School, including assigning a mentor and on-site monitoring.
- c. Probation. SCSB may direct staff, before termination of this Charter Agreement for a material breach thereof, to place a School on “Probation” for such period of time, up to one year, or such other time period as may be appropriate or established by rule, necessary for the School to be able to establish its ability to comply with all of the terms and conditions of this Agreement and all controlling laws, regulations and rules. The SCSB will provide notice of such probation and the terms of that probation in a letter provided to the Governing Board. In addition, the SCSB may provide focused support to the Charter School, including assigning a coach, providing professional development, and analysis of monthly written updates provided by the Charter School governing board and key administrators.
- d. Additional Actions. In addition to a Notice of Concern, Letter of Warning or Probation, and where the Charter School has not remedied deficiencies within the timeframes established by the SCSB, the SCSB may pursuant to U.C.A. §53A-1a-509:
 - 1) remove a Charter School director or financial officer, or their equivalent positions, and without consideration of the School’s corporate formalities;²⁸

²⁷ U.C.A. §53A-1a-509 (5)

²⁸ U.C.A. §53A-1a-509 (2) (a) (i)

- 2) remove a governing board member, without consideration of the School's corporate formalities;²⁹ or
 - 3) appoint an interim director, who will replace or act in the place of the director, or mentor to work with the Charter School.³⁰
- e. Termination of Charter. SCSB may terminate this Charter for those reasons provided in state law, USBE rule, or for material breach of this Agreement³¹ subject to the right of appeal as provided in U.C.A. §53A-1a-510.

In addition, the Governing Board may voluntarily terminate this Agreement.³² In the case of any termination whether it is voluntary, or initiated by SCSB action, and after the settlement of all outstanding obligation from the assets on hand, there is a presumption that the property of a School shall revert to the SCSB.³³ A School may defeat the presumption of SCSB ownership with documentation that the School purchased the property with private funding, and compelling documentation exists that the School or its founders or directors were never reimbursed from public funds.³⁴

SECTION 5. MISCELLANEOUS

- 5.1 Indemnity. The Charter School agrees to indemnify and hold harmless the USBE, SCSB, and local boards of education, their officers, agents, employees, successors and assigns from all claims, damages, losses and expenses, including attorney's fees, arising out of or resulting from any action of the Charter School caused by any intentional or negligent act or omission of the Charter School, its officers, agents, employees, and contractors.
- 5.2 Assignment. Assignment of this Agreement or a significant part of the assets of the School, or any part of its operation, to another entity, related or not, is deemed an amendment and is effective only if the amendment is done pursuant to Section 5.3.
- 5.3 Amendment. This Agreement may be amended by the mutual agreement of the SCSB and the Governing Board. Any such amendment must be made in writing and signed by the appropriate representatives of the SCSB and the Governing Board. In the case of any proposed amendment the Governing Board shall immediately submit in writing, to the SCSB and the local board of education in which the School is located, notice of any proposed changes to the Application, Agreement, or the representations or conditions contained in the original Application. The SCSB reserves the right to reject any proposed changes to this Agreement once the Application has been approved and this Agreement has been signed.

²⁹ U.C.A. §53A-1a-509 (2) (a) (ii)

³⁰ U.C.A. §53A-1a-509 (2) (a) (iii)

³¹ U.C.A. §53A-1a-510

³² U.C.A. §53A-1a-510.5 (1)

³³ U.C.A. §53A-1a-510.5 (4) (c) (i)

³⁴ U.C.A. §53A-1a-509.5

- 5.4 Notice. Any notice required or permitted under this Agreement shall be delivered by way of registered mail, return receipt requested as follows:

To Charter School:

Krusty Krab Academy
Attention: Governing Board
1051 Wave Avenue
Bikini Bottom, Pacific Ocean

To SCSB:

State Charter School Board
Attention: Executive Director
250 E. 500 S.
PO Box 144200
Salt Lake City, Utah 84114-4200

- 5.5 Status of Parties to Charter. This Charter is not intended to create and shall not be interpreted to create employer-employee, contractor-subcontractor, or principal-agent relationships between or among any party or parties to this Agreement. “Parties,” for purposes of this paragraph only, include the parties to this agreement as well as the SBE and the local board of education. No officers, employees, agents, or subcontractors of the Charter School shall be considered officers, employees, agents, or subcontractors of the local board of education, and nothing herein shall entitle any individual with any property right or interest.
- 5.6 Severability. If any provision of this Agreement is determined to be unenforceable or invalid for any reason, the remainder of this Agreement shall remain in effect, unless the Charter is terminated. In addition, to the extent any portion of the Agreement, or the Charter School’s articles of incorporation or bylaws, violate any applicable state or federal law in the future, or are found by any court to be invalid, illegal or unenforceable, then such portion shall be severed, and the remaining portion shall remain in full force and effect until the Governing Board is able to amend their Agreement, articles of incorporation, or bylaws to comply with such applicable law or court ruling.
- 5.7 Non-Endorsement. The Governing Board acknowledges that the granting of a Charter Agreement in no way represents or implies endorsement by the SCSB of any particular method used by the Charter School or its agents; nor does this Agreement constitute a guarantee by the SCSB of the success of the Charter School in providing a learning environment that shall improve student achievement.
- 5.8 Legislative Action. This Agreement and any amendments to it are subject to applicable state and federal laws, and shall be deemed amended to reflect applicable changes to

those laws. Upon repeal of the statutes authorizing charter schools, this Charter Agreement is null and void.

- 5.9 Waiver. No waiver of any breach of this Agreement shall be held as a waiver of any other or subsequent breach.
- 5.10 Governing Law. This Agreement shall be governed by, subject to and construed under the laws of the State of Utah. Jurisdiction shall be deemed appropriate in any State Court of competent jurisdiction in the State of Utah. Should any action be brought to enforce any provision of this Agreement the substantially prevailing party shall be entitled to an award of its costs and attorneys fees.
- 5.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. For purposes hereof, a facsimile copy of this Agreement, including the signature pages hereto, shall be deemed to be an original.

STATE CHARTER SCHOOL BOARD

By: Kristin Elinkowski
Title: Board Chair

KRUSTY KRAB ACADEMY CHARTER SCHOOL

Board Member³⁵

Board Member

Board Member

Board Member

³⁵ U.C.A. §53A-1a-508 (2) (j)

Board Chair:

Date of Board resolution (copy of Resolution attached):