BASIS Schools, Inc. and BASIS Educational Group, Inc. Service Agreement

BASIS Schools Inc. ("BSI") and BASIS Educational Group, Inc. ("BASIS.ed") have long maintained that Service Agreement ("Agreement") between them is a confidential business document and contains proprietary information pertaining to the method of management and fee structures used.

Information in the Agreement is protected since its contains trade secrets as per A.R.S. § 44-401 which defines trade secret as "information, including a formula, pattern, compilation, program, device, method, technique, or process, that both: (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

This Agreement covers business and management structure which gives BASIS.ed advantage over the competitors and if this information is made public it will significantly decrease BASIS.ed's ability to compete. The Agreement covers confidential information, not widely available and readily ascertainable by proper means by competitors.

This Agreement has been protected by both of the companies and only few people have access to the Agreement. BASIS.ed and BSI are taking significant steps to maintain Agreement's confidentiality by (i) allowing only few people access to the Agreement and only on "need to know" basis; (ii) requiring non-disclosure and confidentiality agreements for employees or non-employees with an access to the Agreement; (iii) Agreement is marked "Confidential" and is kept with confidential files in a locked cabinet at the BASIS.ed Senior Counsel's Office and access to the documents is only allowed with the Senior Counsel's permission; (iv) there is restriction on the reproduction of this confidential Agreement; (v) all of the employees are instructed both verbally and through written employee manual about BASIS.ed's procedures for handling confidential information.

Summary of the Agreement:

BASIS.ed is an educational management organization committed to transforming American education and elevating academic achievement to international levels by offering a rigorous academic curriculum which is highly advanced in comparison to the US national standard. This curriculum ensures that students can reach their highest academic potential. BASIS Educational Group, Inc. was established in 2009 and has been managing BASIS Schools, Inc. since July 1, 2009, BDC Public Charter Schools, Inc. since 2012 and BTX Schools, Inc. since 2013. BASIS.ed will start to manage BASIS Independent Schools, LLC this year. When BASIS.ed started it managed two schools. It now manages twelve schools and plans to add another six this year. There are over 7,434 students currently educated by BASIS. BASIS Scottsdale and BASIS Tucson North, two schools managed by BASIS.ed, are consistently ranking on the top of the U.S. News & World's Report's list of best national high schools.

Responsibilities of BASIS.ed

- BASIS.ed manages, administers, oversees and supervises all the operations and activities of the charter schools and new school development. In addition, BASIS.ed furnishes BSI with curriculum, testing, analysis, reports, programs, procedures and other information and materials.

- BASIS.ed shall not act or fail to act, in any manner that may result in a breach of any Charter Contract or applicable law.

- BASIS.ed acknowledges that this Agreement is subject to the terms of the Charter Contract(s), the Act, and other federal and State laws applicable to charter schools.

- BASIS.ed is responsible for timely providing BSI with all of the information that may be necessary (i) to fulfill BSI's reporting requirements under the Charter Contract(s); (ii) for the applicable Charter Authority or other State or federal agency's oversight of Charter School operations or BSI; and (iii) to comply with the Charter Contract and/or applicable law, including the Internal Revenue Code.

- BASIS.ed agrees to communicate with the Board and timely notify the Board of any anticipated or known: (i) material health or safety issues; (ii) labor, employee or funding problems; and (iii) problems of any other type that could adversely affect the Board or BSI or the Charter Contract(s).

- BASIS.ed shall supervise, manage, disburse and account for all Revenues consistent with the Annual Budget, the Act, this Agreement, the Charter Contract(s), Board resolutions and applicable law.

- BASIS.ed shall cooperate in the preparation of the annual audit and any other accounting or financial reviews that are undertaken by independent auditors approved or selected by the Board. BASIS.ed shall make all of BSI's financial and other records related to BSI available to the auditor as required by applicable law.

- BASIS.ed is responsible for implementing reasonable information and reporting systems for BSI that will enable BSI to monitor key areas of business, legal and regulatory compliance and risk in its Charter Schools. Several times a year BASIS.ed will prepare a written management report for presentation at a Board meeting. The report will address academic performance, student enrollment, teaching resources, new schools activity, legal and regulatory compliance, organizational structure and risk management, providing an overview of what has occurred in each of these areas since the last management report, including any items of concern, improvement or changes in noted items of concern from prior reports, areas needing additional attention or resources from BSI, steps BASIS.ed has taken to control or mitigate any areas of concern, and other detail material or relevant to the Services and BSI's operations of the Charter Schools. The Board will be given the opportunity to review and discuss the report with

knowledgeable BASIS.ed personnel at a Board meeting and to request additional information and follow up, as deemed necessary.

Responsibilities of BSI

- BSI is responsible for overseeing all charter schools and has discretion in selecting a service company to assist with operating of charter schools.

- BSI is responsible for adopting an annual charter school budget for each fiscal year in a timely manner and required by applicable law that has adequate resources to fulfil its obligations under the Charter Contract and this Agreement.

- BSI shall engage an independent certified public accountant to conduct a quarterly agreed-upon procedure ("AUP") to review and test BSI cash disbursements for costs and expenses in order to determine whether such disbursements are properly supported, accurately recorded and processed in accordance with BSI's internal control policies and procedures and whether expenses were allocated in accordance with the Agreement. To assure accuracy in recordkeeping, the AUP will be designed to use a larger sample of transactions than is customary practice. BASIS.ed shall provide the Board with records supporting expenditures of BSI funds made by BASIS.ed. The AUP shall include provisions to allow BASIS.ed fifteen (15) days from a notice of deficiency in which to respond to and/or cure any such deficiency identified by the independent certified public accountant during the AUP process; provided, however, for any deficiency remaining after such time period BASIS.ed shall reimburse, within fifteen (15) days' notice of the determination of a remaining deficiency, any disbursement that the independent certified public accountant determines was not accurately recorded and processed in accordance with BSI's internal control policies and procedures and pay to BSI interest on such deficiency at the rate of 1.5 percent per month from the date of disbursement until reimbursement.

- BSI may undertake an audit of BASIS.ed each year to assess BASIS.ed's compliance with the terms of this Agreement and applicable requirements of the Charter Authority in those States in which BASIS.ed is providing services.

- BSI Board ("Board") retains Executive Director to oversee all of the BSI responsibilities.

Fees

- In consideration for all of the BASIS.ed's services BSI agrees to pay BASIS.ed service fee ("Fee").

- BASIS.ed provides site management as part of the Fee.

- Fee is adjusted downward as BASIS.ed's network grows.

- BSI shall engage a qualified specialist to determine whether the Fee under this Agreement is reasonable compensation for the services. If the qualified specialist determines that the Fee is not reasonable compensation for the services, the Parties shall negotiate in good faith an adjustment to the Fee that constitutes reasonable compensation for the services, as confirmed by such qualified specialist. Any Fee paid under this Agreement determined not to be reasonable compensation by the qualified specialist shall be reimbursed by BASIS.ed. BSI has exercised this option and engaged qualified specialist to perform the reasonableness study.

School Performance

- All of the schools managed by BASIS.ed must meet certain education standard:

    - Top 10% of the AIMS State Exams;
    - Must offer AP classes and exams and meet or exceed the country and global average;
    - All of the students must satisfy BASIS Graduation requirements, which exceed the state and Department of Education graduation requirements. Majority of our student are eligible to graduate after completing 11th grade;
    - When eligible, rank on the top of national publication rankings.