MANAGEMENT SERVICES AGREEMENT BETWEEN PATHWAYS MANAGEMENT GROUP, INC., AND PATHWAYS IN EDUCATION – ARIZONA, INC.

This MANAGEMENT SERVICES AGREEMENT ("Agreement") is made and entered into and effective, January 1, 2016, by and between Pathways Management Group, Inc., a California nonprofit corporation ("PMG"), and Pathways in Education – Arizona, an Arizona nonprofit corporation ("PIE-AZ") with reference to the following:

RECITALS

WHEREAS, PMG provides management and other services to charter schools and has expertise in providing educational services to at risk students using independent study instructional modalities;

WHEREAS, PIE-AZ was created to develop new ways to educate children in Arizona through the establishment of and/or operation of charter schools;

WHEREAS, PIE-AZ is actively seeking to establish a charter to serve at-risk students under the purview of the Arizona State Board for Charter Schools;

WHEREAS, the charter petition submitted by PIE-AZ to the Arizona State Board for Charter Schools will set forth the governance structure for the charter school and provide, among other things, that the management and day-to-day operation of the charter school may be delegated to third parties;

WHEREAS, PIE-AZ desires to contract for services, including school management, facilities management, financial management, accounting, student achievement reporting and human resources services;

WHEREAS, the parties intend that the terms of this Agreement shall be consistent with the terms of any charter petition approved by the Arizona State Board for Charter Schools

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1

1.1 Charter Petition. The parties understand and acknowledge that PIE-AZ may be bound by and subject to, all the terms and conditions of the Charter Petition or charter agreement between PIE-AZ and the Arizona State Board for Charter Schools (the "AZSB") (hereinafter referred to as the "Charter Petition") and that by entering into this Agreement, PMG's services shall comply with the applicable terms and conditions of the Charter Petition.

1.2 Independent Contractor. The parties to this Agreement intend that:

1.2.1 The relationship between PMG and PIE-AZ created by this Agreement is that of an independent contractor, and not a partnership or employer- employee or other relationship. No agent, employee, or servant of PMG shall be deemed to be the employee, agent or servant of PIE-AZ. The manner and means of conducting the work pursuant to this Agreement is under the sole control of PMG and PMG will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement; and,

1.2.2 No agent, employee, or servant of PIE-AZ shall be deemed to be the employee, agent or servant of PMG. PIE-AZ will be solely and entirely responsible for its acts and for the acts of its agents, employees, servants, and subcontractors during the entire Term of this Agreement.

ARTICLE 2 TERM

2.1 Unless earlier terminated pursuant to this Agreement, the term ("Term") of this Agreement shall commence on January 1, 2016 (the "Commencement Date"), and shall continue through June 30, 2021 ("Expiration Date"), provided however, that in the event PIE-AZ shall at any time cease to be chartered by the AZSB, this Agreement shall terminate thirty (30) days following the effective termination date of PIE-AZ's charter. No later than eighteen (18) months prior to the Expiration Date, PIE-AZ will schedule a meeting with PMG to discuss renewal of the Agreement. Following the meeting, if PIE-AZ or PMG decide to forego renewal, the forgoing party will inform the other party in writing no less than twelve (12) months before the Expiration Date of this determination, or this Agreement will automatically renew for an additional five (5) year term.

ARTICLE 3 SERVICES TO BE PROVIDED BY PMG

3.1 During the Term of this Agreement, except as otherwise provided herein, PMG shall provide to PIE-AZ as more specifically described herein below, school management, facilities management, financial management, accounting, student achievement reporting and human resources services (hereafter referred to as the "PMG Services"). Such services are more particularly identified on Exhibit "A," which is attached hereto, and incorporated herein.

ARTICLE 4 PMG COMPENSATION

4.1 In consideration of the PMG services to be provided, PMG will be paid the following amounts by PIE-AZ for its yearly operations:

Year 1 (July 1, 2016 to June 30, 2017): $60,687.00

Year 2 (July 1, 2017 to June 30, 2018): $65,429.00

Year 3: (July 1, 2019 to June 30, 2019): $548,143.00

On the 5th day of each calendar month during the Term of this Agreement starting July 1, 2019 or Year 4 (whichever comes first), PIE-AZ shall cause to be paid to PMG a monthly fee for the PMG Services. PIE-AZ shall initially pay PMG the amount of One Hundred Twenty Seven dollars and no Cents ($127.00) per student served per month, which amount may be amended by a writing signed by both parties. The monthly fee will be in addition to PIE-AZ's obligation to reimburse expenses as provided hereinafter. Notwithstanding anything contrary in this Agreement, PMG shall identify and produce curriculum, pursuant to Section C of Exhibit A, on a pro-bono basis from January 1, 2016 to June 30, 2016. After June 30, 2016, PMG shall be compensated accordingly pursuant to this section.

4.2 PIE-AZ shall not be responsible for payment of the compensation referred to herein until PIE-AZ obtains start-up, grant, or general funding.

ARTICLE 5 FACILITIES MANAGEMENT SERVICES

5.1 PMG shall be responsible for the identification, location and acquisition of space for PIE-AZ learning centers.

5.2 PIE-AZ shall reimburse PMG or pay directly any and all rentals (including common area charges and other charges assessed directly by the landlord as part of each respective lease) advanced by PMG for the use of commercial premises for PIE- AZ learning centers. PMG has or may enter into and shall maintain for the benefit of PIE-AZ leases of commercial real property and office space to provide learning centers for the students of PIE-AZ.

5.3 PIE-AZ shall also reimburse PMG or pay directly all expenses for utilities, including telephone, power, water, trash and other utilities used in connection with the foregoing learning centers.

5.4 PIE-AZ acknowledges that the terms of certain leases held by PIE-AZ at the time of this Agreement may expire or terminate prior to the end of the Term of this Agreement. In such event, PMG agrees to locate and secure, on behalf of PIE-AZ, suitable replacement premises. PMG will obtain the prior written approval of PIE-AZ staff before adding or subtracting the number of learning centers used by PIE-AZ.

5.5 All learning centers will meet Arizona health and safety standards.

5.6 Facilities will be selected on the basis of identification of areas where the greatest numbers of potential students can be served.

5.7 PMG shall be responsible for the purchase and installation of technology (computers, modems, and phone units) integral to the operation of PIE-AZ learning centers and PIE-AZ will pay directly or reimburse PMG for these costs.

5.8 PMG shall be responsible for furnishing and maintaining PIE-AZ learning centers as necessary to operate the learning centers. PIE-AZ will pay directly or reimburse PMG for these costs.

5.9 PMG will secure insurance reasonably suitable to protect PIE-AZ for personal and property damage caused by hazards at the learning centers. PIE-AZ will pay directly or reimburse PMG for the cost of such insurance.

5.10 PMG will ensure that, at a minimum, each of the learning centers are open to teachers and students according to PIE-AZ's operating schedules.

ARTICLE 6 STUDENT ACHIEVEMENT REPORTING

6.1 PMG shall provide information to PIE-AZ's board of trustees sufficient to enable PIE-AZ's board to monitor the sufficiency of services provided by PMG and whether it is in compliance with its obligations under this Agreement.

6.2 PMG shall make available to PIE-AZ the following reports: monthly report of expenses incurred for reimbursement, monthly ADA or student attendance reports, reports required by the AZSB, budget reports, and year to date budget variance reports. Upon reasonable request, PMG shall provide additional financial data and other data to PIE-AZ in a format and structure reasonably directed by PIE-AZ.

6.3 PIE-AZ shall have the right, upon fifteen days' notice to PMG, to conduct an audit of PMG's financial and other records, relating only to the operation of the charter school in Arizona. PMG shall not be under any obligation to subject its financials to audits, or otherwise, for any of its business other than in Arizona. PIE-AZ shall pay the cost of such an audit and such audit may be performed by any Certified Public Accountant of PIE-AZ's choosing.

6.4 PMG, at its own election or when requested by PIE-AZ, will contract periodically with an independent evaluator of charter schools to conduct an independent evaluation of PIE-AZ's educational programs and student achievement. The results of the evaluation will be provided to PIE-AZ. This independent evaluation will examine the effectiveness and quality of the educational programs and services provided to PIE-AZ students. The evaluation will use both qualitative and quantitative data. The evaluator will analyze standardized test data and incorporate the results into the evaluation. In addition, the data relating to baseline student Performance Plans; educational and community agency services rendered to PIE-AZ's students; and enrollment, academic and attendance records will be analyzed. Qualitative data will be collected through structured and unstructured interviews and questionnaires with PIE-AZ staff, students, parents and community agency personnel. PIE-AZ shall pay directly or reimburse PMG for the cost of any evaluation(s) requested by PIE-AZ.

ARTICLE 7 EDUCATIONAL PROGRAM AND CURRICULUM

7.1 PMG shall provide an education program (the "Program") to be used in connection with PIE-AZ's educational program. The Program shall be initially structured as follows:

7.1.1 The curriculum developed or purchased by PMG shall introduce instruction in higher order skills as early as possible in the Program, in order to offer interesting and challenging curriculum for the purpose of allowing students to progress as

quickly as their capabilities will allow. The Program will allow students to use the knowledge that they are accumulating in novel ways to facilitate problem- solving and skill development. Materials shall be designed in a language and format that are readily accessible, and students will be allowed to complete course work at their own pace, as the Program will be formulated based on an initial assessment of the student's skill levels in reading, math and other core courses. The key components of the Program are as follows:

7.1.2 Students will be encouraged to concentrate their learning efforts on a maximum of one or two core subjects, in order to achieve greater depth of learning in each subject and to focus the students' attention on specific areas as a way to promote maximum efficiency for faster results.

7.1.3 Students will participate in independent study programs that will allow each student to tailor his or her work pace to meet personal needs and goals.

7.1.4 Students will be placed in core subjects of reading, English and Math based on tested achievement levels. Advancement will be determined on actual mastery of skills. Learning will be thus focused on the specific skills and tasks, which will result in the maximum advancement in the minimum time.

7.2 PMG shall implement PIE-AZ's curriculum in a manner that is consistent with the Charter Agreement.

7.3 PMG shall implement or contract to provide data assessment and accountability functions on the academic performance of PIE-AZ students, including the effect of any outside programs provided by or through PMG or PIE-AZ. PIE-AZ shall pay directly or reimburse PMG for the cost of obtaining such assessment and accountability reports, if contracted through a third party.

7.4 PMG shall ensure that PIE-AZ, including its curriculum, will be nonreligious, nonsectarian and shall not illegally discriminate against any student on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, special need, marital status, citizenship or any other legally prohibited basis.

7.5 PIE-AZ shall pay directly or reimburse PMG for the cost of all curriculum materials and purchasing.

ARTICLE 8 MANAGEMENT OF THE CHARTER SCHOOL

8.1 PMG is not obligated to devote all of its time or business efforts to the affairs of PIE-AZ.

8.2 PMG and its officers, directors, members, agents, employees and/or affiliates may engage or invest in any business activity of any type or description, including, without limitation, those that might be the same as or similar to the PIE-AZ's business. PIE-AZ shall have no right in or to such other activities or to the income or proceeds derived there from. PMG shall not be obligated to present any investment opportunity or prospective economic advantage to PIE-AZ, even if the opportunity is of the character that, if presented to PIE-AZ, could be invested in by PIE-AZ.

8.3 In addition to any other duties or obligation of PMG arising under this agreement, PMG shall ensure that, in the event that PIE-AZ loses its charter or otherwise ceases to operate as charter school, all applicable legal requirements established by the AZSB or other government entity shall be met.

ARTICLE 9 PERSONNEL AND TRAINING

9.1 PMG shall recruit, screen and recommend certificated and non-certificated individuals to PIE-AZ for employment by PIE-AZ.

9.2 All personnel recommended by PMG for employment by PIE-Az shall have the experience and knowledge appropriate to the position for which they are to be considered for employment.

9.3 All personnel recommended by PMG for employment by PIE-AZ shall meet standards set forth by Arizona law, as applicable and such employee's particular job description. Certificated employees shall meet requirements of the Arizona charter laws.

9.4 When necessary, PIE-AZ shall work with PMG to obtain AZSB waivers and shall work with PMG to expedite the certification process or alternative accreditation for all new or out-of-AZSB personnel.

9.5 PMG shall provide training in its methods, curriculum, program, and technology to all teaching personnel of PIE-AZ. Such training shall be at PIE-AZ's expense, and may be held off-site, at locations selected by PMG. PMG will also provide team building events, at PIE-AZ's expense, for the benefit of PIE-AZ employees.

9.6 PMG will administer health and retirement benefits for PIE-AZ's employees, including all certificated and non-certificated staff.

9.7 PIE-AZ acknowledges and agrees that John Hall, Joan Hall, Jamie Hall, John Hall Jr. may have employment relationships with both PMG and PIE-AZ.

9.8 Personnel Policies

9.8.1 PMG and PIE-AZ shall comply with all applicable federal and state laws, concerning employee welfare, safety and health, including, without limitation, the requirements of federal law for a drug free workplace.

9.8.2 Neither PMG nor PIE-AZ will illegally discriminate against any employee or applicant for employment on the basis of race, creed, color, sex, national origin, religion, ancestry, age, disability, marital status, citizenship, or any other legally prohibited basis, in its recruitment, selection, training, utilization, termination or other employment-related activities.

ARTICLE 10 SUBCONTRACTING OF SERVICES

10.1 Subcontracting of Services. PMG reserves the right to subcontract any and all services specified in this Agreement to the AZSB and/or to public or private subcontractors, as permitted by law.

10.2 Location of Performance. PMG reserves the right to perform non-instructional functions, such as purchasing materials or developing curriculum, off-site at PMG offices or remote locations, unless prohibited by federal, state laws, rules, or regulations.

ARTICLE 11 SCHOOL YEAR

11.1 School Year. The parties hereto agree that PIE-AZ shall be in session at least two hundred forty (240) days or more between July 1st and June 30th of each school year.

11.2 Calendar. Notwithstanding the above, the parties understand and agree that the PIE-AZ will have a year-round, multi-track, staggered start calendar for the programs, or, as necessary, any other calendar that would improve the delivery of instruction to students.

ARTICLE 12 STUDENT PRIVACY

12.1 Family Educational Rights and Privacy: Act. PIE-AZ shall advise the AZSB to designate PMG and its officers, employees, agents and representatives as having a legitimate educational interest such that they are entitled to access to education records under 20 U.S.C.A. 1232g, the Family Educational Rights and Privacy Act and under applicable Arizona information and privacy laws. PMG, its officers and employees shall comply with the Family Educational Rights and Privacy Act at all times.

ARTICLE 13 WARRANTIES AND REPRESENTATIONS

13.1 Representations of PIE-AZ. PIE-AZ represents and warrants to PMG that: (i) it is an organization formed, existing and operating under the laws of Arizona (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligations provided for under this Agreement and to contract with PMG for PMG to provide the services set forth in this Agreement; (iii) the information, if any, PIE-AZ has furnished to PMG concerning PIE-AZ's finances, revenues, and student enrollment is accurate and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of this Agreement by PIE-AZ is not a violation or breach of any other agreement between PIE-AZ and any other person or entity.

13.2 Representations of PMG. PMG represents and warrants to PIE-AZ that: (i) it is a California corporation organized and existing under the laws of the State of California; (ii) it has full lawful power and authority to execute, deliver and perform this Agreement, to incur the obligations provided for under this Agreement and to contract with PIE-AZ to provide the services set forth in this Agreement on behalf of PIE-AZ; (iii) the information, if any, PMG has furnished to PIE-AZ concerning PMG's finances and revenues is accurate and complete and the latest information available at the time of the execution of this Agreement; (iv) the execution, delivery and performance of this Agreement by PMG is not a violation or breach of any other agreement between PMG and any other person or entity.

ARTICLE 14 INDEMNIFICATION

14.1 PMG shall indemnify and hold PIE-AZ and its members, managers, employees, officers, subcontractors, agents, representatives and authorized volunteers (collectively "the PIE-AZ Agents") harmless from and against any and all claims, demands, suits, costs, judgments, or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against PIE-AZ and/or the PIE-AZ Agents for injury to property or persons, occurring or allegedly occurring in, on or about PIE-AZ learning centers as a result of actions by PMG and/or by its employees, officers, directors, subcontractors, representatives, and agents (collectively "PMG's Agents") during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from PIE-AZ, PMG shall defend PIE-AZ and/or the PIE-AZ Agents in any action or proceeding brought thereon with counsel reasonably acceptable to PIE-AZ.

14.2 PIE-AZ shall indemnify and hold PMG and PMG's Agents harmless from and against any and all claims, demands, suits, costs, judgments or other forms of liability to third parties, actual or claimed, of whatsoever kind or character, including attorneys' fees, brought against PMG and/or PMG's Agents for injury to property or persons, occurring or allegedly occurring in, on or about PIE-AZ learning centers as a result of actions by PIE-AZ and/or by PIE-AZ's Agents during the Term of this Agreement or any renewal periods thereof. Upon timely written notice from PMG, PIE-AZ shall defend PMG and/or PMG's Agents in any action or proceeding brought thereon with counsel reasonably acceptable to PMG.

ARTICLE 15 TERMINATION AND CLOSURE

15.1 PIE-AZ Termination for Cause. PIE-AZ may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For purposes of this Section, "Cause" means:

15.1.1 Material breach of this Agreement may include failure of PMG to provide PMG Services to PIE-AZ required by Exhibit A of this Agreement, failure of PMG to meet PIE-AZ's performance expectations as defined in Exhibit B of this Agreement, or any other act or failure to act by PMG which undermines the joint purpose of this Agreement. PIE-AZ may terminate for cause only if PIE-AZ has provided PMG written notice of the material breach and has allowed PMG a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than ninety (90) days. If PIE-AZ can show good cause that PMG's remedial action is unsatisfactory, PIE-AZ may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 15.4.

15.2 PMG Termination for Cause. PMG may terminate this Agreement for Cause prior to the end of the Term, in accordance with the procedures set forth herein. For the purposes of this Section, "Cause" means:

15.2.1 Material breach of this Agreement, which may include, but is not limited to, PIE-AZ's failure to adhere to the reasonable personnel, curriculum, program or

similar recommendations of PMG with respect to PIE-AZ, which PMG reasonably determines to be necessary for the implementation of PMG's Program, PIE-AZ's failure to obtain waivers from third parties as provided for in this Agreement which PMG reasonably determines to be necessary for the implementation of PMG's Program, PIE-AZ's failure to make payments as required by this Agreement; or any other failure which undermines the joint purposes of this Agreement.

PMG may terminate for cause only if PMG has provided written notice of the breach to PIE-AZ and has allowed PIE-AZ a reasonable period in which to remedy such breach. A reasonable period for cure under this section shall not be less than sixty (60) days. If PMG makes a good faith reasonable determination that PIE-AZ's remedial action is unsatisfactory, PMG may terminate the Agreement under this paragraph pursuant to the procedure set forth in Section 15.4.

15.3 Statutes or Legislative Changes. In the event that any enactment, repeal, promulgation or withdrawal of any federal, state, or local law, regulation, or court or administrative decision or order materially affects the operation of PIE-AZ in conformity with this Agreement, or otherwise constitutes a violation of law, or otherwise has a material adverse effect on PMG's ability to operate, PMG or PIE-AZ may elect to deliver written notice to the other of such changes and the resulting consequences. Upon delivery of such notice, the parties shall promptly commence negotiations in good faith regarding a mutually agreeable approach (including without limitation, an amendment to the Agreement) to address the statutory and/or legislative changes. If despite such good faith negotiations the parties are unable to agree upon an acceptable approach to address the statutory and/or legislative changes, then either party may elect to terminate the Agreement without further obligation or liability to the other, by delivering written notice of termination to the other at least one hundred eighty (180) days in advance of the effective date of such termination, or in such lesser time as is reasonable under the circumstances. Among other events, the foregoing section applies to actions that may be made by the State Board of Education and/or Department of Education.

15.4 Termination Notice and Other Termination Procedure

15.4.1 Unless otherwise expressly provided herein, each party shall give the other party at least ninety (90) days advance written notice of a termination of this Agreement prior to the end of its Term.

15.4.2 Notwithstanding any other provision in this agreement, each party shall use its good faith best efforts to avoid a termination of the Agreement, which becomes effective during the middle of a school year because of the disruption to the educational program and the students. Therefore, in the event this agreement is terminated by either party prior to the end of the Term, absent unusual and compelling circumstances, the termination will not become effective until the end of the school year.

15.4.3 In the event of termination of this Agreement for any reason, PMG shall provide reasonable assistance to PIE-AZ for up to ninety (90) days after the effective date of termination of the Agreement, to assist in the closure of the charter school and the transition of students, if necessary.

15.4.4 In the event PIE-AZ terminates this Agreement prior to the end of the Term, regardless of the reason, then PIE-AZ shall, for the duration of the Term, be obligated to reimburse PMG for all expenses incurred by PMG on account of the leases and all other reimbursable items listed in Article 5.

ARTICLE 16 INSURANCE

16.1 Liability Insurance

16.1.1 PMG, on behalf of PIE-AZ and the AZSB, shall secure and maintain, insurance, including, but not limited to general liability insurance coverage for bodily injury and property damage for the protection of PIE-AZ, the AZSB, PMG, and their respective officers, directors, board members, employees, students, teachers and volunteers. Such insurance policies shall be issued by an insurance company or companies selected by PMG and licensed to do business in Arizona. Except as otherwise agreed in writing by PIE-AZ and PMG, all such insurance coverage shall be primary insurance, with deductibles or SIR's which are outside the policy limits, and shall be occurrence based insurance (and not claims made insurance). PIE-AZ shall pay directly or reimburse PMG for all costs of such insurance.

16.1.2 PIE-AZ shall require that its contractors, if providing transportation or other services to PIE-AZ shall name PMG and its, and their respective officers, directors, board members, employees, and agents as additional insureds under their respective commercial general liability and automobile liability insurance policies for personal injury and property damage; and if such services are provided directly by PIE-AZ rather than by contracted service, then PMG may ensure such persons shall be named as an additional insured under corresponding PIE-AZ insurance policies.

16.1.3 The insurance policies maintained by each party pursuant to this Agreement shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced, in coverage or limits, except after thirty (30) days prior written notice to PMG and PIE-AZ. The parties shall furnish one another certified copies of the insurance or certificates of insurance which name one another as additional insured as additional insured and which demonstrate compliance with this Agreement.

16.2 Workers' Compensation Insurance. PMG, on behalf of PIE-AZ, shall secure and maintain workers' compensation insurance covering PIE-AZ employees and authorized volunteers. Such insurance policies shall be issued by an insurance company or companies licensed to do business in Arizona. PIE-AZ shall pay directly or reimburse PMG for its pro-rata share of such cost.

16.3 Coordination of Risk Management. The parties shall coordinate risk management activities with one another, which shall include the prompt reporting of any and all pending or threatened claims, filing of timely notices of claim, cooperating fully with one another in the defense of any claims and complying with any defense and reimbursement provisions of state governmental immunity laws and applicable insurance policies. The parties shall give each other prompt written notice of any claim arising out of the operation of PIE-AZ learning centers. Neither PMG nor PIE-AZ shall compromise, settle, negotiate or otherwise affect any disposition of any claim or potential claims asserted

against it to the extent such claims are insured by or through the other party, without the approval of the other party.

ARTICLE 17 CONFIDENTIAL AND PROPRIETARY INFORMATION

17.1 Proprietary Marks and Intellectual Property. PIE-AZ acknowledges and agrees as follows:

17.1.1 PMG owns, may develop, or may create certain proprietary marks during the course of this Agreement and that all proprietary rights in and to such intellectual property, including but not limited to, all trademarks, trade names, service marks, industrial designs, insignias, logos, and designations (as presently or hereafter comprised) in connection therewith (the "Proprietary Marks");

17.1.2 PMG also owns, may develop, or purchase curriculum materials, software and other intellectual property to be used in connection with PIE-AZ educational programs, including but not limited to all copyrights, patents, source codes, technology and trade secrets (as presently or hereafter comprised) in connection therewith (the "Intellectual Property');

17.1.3 PMG has extensively invested in developing and improving the Proprietary Marks and Intellectual Property and in marketing, refining, advertising, promoting and publicizing the same, all of which have become well and favorably known to the public throughout the United States and elsewhere, and, as a result of such efforts, PMG has acquired valuable goodwill therein; and,

17.2 Validity and Use of Proprietary Marks and Intellectual Property. PIE-AZ hereby acknowledges the validity of the Proprietary Marks and Intellectual Property identified above and acknowledges that same are the sole property of PMG. PIE-AZ may use such Proprietary Marks and Intellectual Property only for so long as the right and license granted here remains in force, and only in connection with PIE-AZ operations, in the manner and for the purposes specified in this Agreement. PIE-AZ, shall not, either during or after the term of this Agreement, do anything, or aid or assist any other party to do anything, which would infringe upon, harm, or contest the rights of PMG in any of its Proprietary Marks and/or Intellectual Property. PIE-AZ further agrees that any additional rights that may develop in any of PMG's Proprietary Marks and/or Intellectual Property in the future, whether as trade names, trademarks, service marks, or copyrighted materials, shall inure and accrue to the benefit of PMG.

17.3 License. Subject to the terms and conditions contained herein, PMG hereby grants to PIE-AZ, and PIE-AZ hereby accepts from PMG, a non-exclusive license to use PMG Proprietary Marks and Intellectual Property during the Term.

17.4 Prohibitions on Use. PIE-AZ agrees not to interfere in any manner with or attempt to prohibit the use of the Proprietary Marks and Intellectual Property by any other entity. PIE-AZ further agrees to execute any and all other necessary papers, documents, and assurances to effectuate this purpose and agrees to cooperate fully with PMG or its agents in securing all necessary and required authority from any Secretary of State, licensing authority, or any other state or federal authority to the use of the Proprietary Marks and

Intellectual Property wherever needed. The grant of the License pursuant to this Agreement, does not grant exclusivity of territory or use to PIE-AZ.

17.5 Ownership of Proprietary Information. PIE-AZ agrees that PMG shall own all copyright and other proprietary rights in and to the Proprietary Marks and Intellectual Property, including but not limited to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by PMG, its employees, agents or subcontractors, during the Term of this Agreement or any renewal Terms hereof PMG shall have the sole and exclusive right to license such materials for use by other school AZSBs or customers, or to modify and/or sell such materials to other school AZSBs and customers. PMG may disclose such proprietary information, including that which is currently in existence as well as that which may be created in the future. PIE-AZ shall take all measures reasonably necessary to assure that none of its personnel or agents disclose, publish, copy, transmit, modify, alter or utilize the Proprietary Marks and Intellectual Property without PMG's prior written consent.

17.6 Unauthorized Use. PIE-AZ shall promptly report to PMG any unauthorized use of PMG's Proprietary Marks and/or Intellectual Property that comes to its attention in any manner whatsoever. If requested by PMG, PIE-AZ will cooperate with PMG in precluding unauthorized use of PMG's Proprietary Marks and Intellectual Property, or any confusingly similar mark or property.

17.7 Confidential Information.

17.7.1 PIE-AZ acknowledges and agrees that during the Term, it will have access to certain confidential information of PMG, including but not limited to confidential or proprietary business information, curriculum materials, software, property rights and data, know- how, trade secrets, customer and vendor lists, supplier and distributor lists, billing practices and procedures, operating manuals and procedures, pricing policies, operational methods, marketing plans or strategies, financial information, budget information and procedures of PMG ("the Confidential formation").

17.7.2 From and after the commencement of the Term, PIE-AZ shall keep secret and retain in strictest confidence and shall not use for the benefit of itself or others, all or any of the Confidential Information.

17.7.3 Promptly following the termination of this Agreement for any reason, PIE-AZ shall immediately deliver to PMG all Confidential Information in its possession, together with all notes, records, memoranda, correspondence files and other papers, magnetic tapes, software, discs, manuals and other information in any form relating to PMG (including all copies of these materials). PIE-AZ acknowledges that it does not have and cannot acquire any rights to these materials.

ARTICLE 18 DISPUTE RESOLUTION PROCEDURE

18.1 Mediation. In the event that any controversy claim or dispute between the parties arises relating to the terms of this Agreement, or the breach thereof, the parties hereby agree to initially attempt to settle such disputes by a non-binding mediation, before a single neutral mediator (the "Mediator"), administered by J.A.M.S./ENDISPUTE. The

Mediator shall be assigned at random by J.A.M.S./ENDISPUTE and shall take place within Los Angeles County.

18.1.1 The mediation shall commence within forty-five (45) calendar days from the date of the receipt of the Mediation Demand sent by the aggrieved party ("Receipt Date"), and shall be concluded no later than sixty (60) calendar days from the Receipt Date. In determining the Receipt Date, the notice provisions of this Agreement shall apply.

18.1.2 The administrative costs of conducting the mediation shall be shared equally between the parties.

18.2 Binding Arbitration. In the event that the parties are unable to resolve any dispute regarding relating to the terms of this Agreement, or the breach thereof, through non binding mediation pursuant to Section 18.1, above, such dispute shall be determined by binding arbitration in accordance with the rules of J.A.M.S./ENDISPUTE. The parties may select any third party arbitrator, including a retired jurist, or other independent party. Any determination of the arbitrator shall be binding on the parties, and may be entered in any court with proper jurisdiction for enforcement thereof. The costs of the arbitrator shall be borne equally by the parties.

ARTICLE 19 MISCELLANEOUS

19.1 Standard of Interpretation. Except as otherwise provided herein, the parties shall perform all actions required herein in a reasonable and timely manner.

19.2 Notices. Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if served either personally or, if deposited in the Unites States mail, certified or registered, postage prepaid, return receipt requested. If such notice, demand or other communication be served personally, service shall be conclusively deemed made at the time of such personal service. If such notice, demand or other communication be given by mail, such shall be conclusively deemed given forty-eight (48) hours after the deposit thereof in the United States mail, addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth.

19.3 Governing Law and Construction. This Agreement shall, in all respects, be governed by the laws of the State of California applicable to agreements executed and to be wholly performed within the State of California. Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision contained herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail but the provision of this Agreement which is affected shall be construed and limited only to the extent necessary to bring it within the requirements of the law.

19.4 Severability. The provisions of this Agreement are severable, and if any one or more provisions shall be determined to be judicially unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

19.5 Arm's Length Agreement. This Agreement has been negotiated at arm's length and between persons (or their representatives) sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to affect the purpose of the parties and this Agreement.

19.6 Entire Agreement. This Agreement, together with the Charter Agreement, constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all other written or oral negotiations, understandings or agreements among the parties with respect to the rights and obligations assumed herein and contains all of the covenants and agreements among the parties with respect to such rights and obligations.

19.7 Binding Agreement. The party's rights and obligations under this Agreement are personal and shall not be assignable. Subject to the foregoing, each of the terms and provisions contained herein shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors, and assigns.

19.8 Cumulative Remedies. No remedy conferred by any provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. Except as otherwise provided herein, the election of anyone or more remedies by any party, shall not constitute a waiver of the right to pursue other available remedies.

19.9 Modifications. No amendment, change or modification of this Agreement shall be valid unless in writing, stating that it amends or modifies this Agreement, and signed by all of the parties hereto.

19.10 Additional Acts. Each of the parties hereto shall execute and deliver any and all additional papers, documents and other assurances and shall do any and all acts reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the parties hereto.

19.11 Counterparts. This Agreement may be executed in one or more counter- parts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19.12 Waiver. The waiver by any party to this Agreement of the breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach, whether of the same or another provision of this Agreement.

19.13 Captions. The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the section at the head of which it appears, the section and not such caption shall control and govern in the construction of this Agreement. The reference to paragraph numbers herein shall be deemed to refer to the numbers preceding each section.

19.14 Force Majeure. Neither party shall be liable if the performance of any part or all of this contract is prevented, delayed, hindered or otherwise made impracticable or

impossible by reason of any strike, flood, riot, fire, explosion, war, act of God, sabotage, accident or any other casualty or cause beyond either party's control and which cannot be overcome by reasonable diligence and without unusual expense.

19.15 Jointly Drafted Agreement. The parties acknowledge that this Agreement is the product of the combined involvement and drafting of both parties hereto and that neither party maybe considered or deemed the primary drafter of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Pathways Management Group, Inc., a California nonprofit public benefit corporation

_____ _____

By: John Hall Date

Title: President

Pathways in Education – Arizona, Inc., an Arizona nonprofit public benefit corporation

_____ _____

By: Date

Title: Member of the Board of Directors

Exhibit A

PMG Services

A. Provide an academic recovery educational program that is specifically designed for drop outs and at risk youth and meets all requirements of the charter agreement between PIE-AZ and AZSB, (see Article 7),

B. Implement, as deemed necessary, a leadership development program and youth impact program ("Extra Programs"),

C. Identify and produce curriculum and instructional materials for the Program and any Extra Program (see cost allocation in section 7.5),

D. Train PIE-AZ teachers and instructional aides in delivery of the Program to students (see cost allocation in section 9.5),

E. Provide administrative support staff to assist PIE-AZ,

F. Provide all human resources services needed by PIE-AZ, including but not limited to advertising for and recruiting teachers and instructional employees, screening prospective new employees, making staffing and employment recommendations to PIE-AZ, planning and conducting team building events for PIE-AZ staff, and coordinating all employee benefits,

G. Provide computers for the use of each teacher (see cost allocation in section 5.7),

H. Provide administrative services needed for operation of the school, including program development, facilities management and management of day to day operations,

I. Obtain waivers as may be necessary for operation of the Charter School's multi-track calendar,

J. Provide all accounting services, including all bookkeeping and accounting services,

K. Arrange for an annual audit of the Charter School to be performed by an auditing firm approved by PIE-AZ, and any other such audits as may be necessary according to the Agreement (see cost allocation in section 6.3),

L. Provide to PIE-AZ the following reports: monthly report of expenses incurred for reimbursement, monthly ADA or student attendance reports, reports required for the sponsoring AZSB, budget reports, year to date budget variance reports, quarterly reports on the account balance, quarterly reports on the contribution of excess revenues, and quarterly reports on the use of charter funds. Upon reasonable request, PMG shall provide additional financial data and other data concerning the charter school to PIE-AZ in a format and structure reasonably directed by PIE-AZ.

M. Locate and secure facilities adequate to meet the needs of the Charter School and the Program, lease or otherwise contract with third parties for the use of facilities for school purposes (see cost allocation in section 5.2),

N. Provide all property management services needed to maintain the Charter School's learning centers and to keep the learning centers in clean and professional order and repair (see cost allocation in section 5.8),

O. Furnish all learning centers with adequate desks, chairs, books, book cases and other furnishings appropriate to maintain the learning centers' clean and professional appearance and suitable for the conduct of the Charter School (see cost allocation in section 5.8),

P. Provide computers for students in each learning center with Internet connections and printing capabilities (see cost allocation in section 5.7),

Q. Arrange or provide IT and other technological support to the Charter School (see cost allocation in section 5.7),

R. Procure all insurance needed for operation of the Charter School (see cost allocations in Article 16),

S. Periodically, or as requested by PIE-AZ, arrange for independent assessments as described in the Agreement (see cost allocation in section 6.4).

T. Provide or arrange for further instructional and operational support, program development, or administrative services as needed, consistent with the methodology established in the Agreement and subject to pricing as agreed to by the parties.

Exhibit B

Performance Expectations

A. PIE-AZ and PMG understand and agree that upon the Arizona State Board for Charter Schools ("State Board") approving PIE-AZ's charter contract, PIE-AZ will be accountable to the performance frameworks as adopted by the State Board pursuant to its obligations under A.R.S. § 15-183(R). Upon such an occurrence, PMG agrees to provide PMG Services to PIE-AZ in a manner that achieves the performance expectations outlined below ("Expectations") and further agrees that PIE-AZ shall have the authority to seek a cure under Section 15.1.1 of this Agreement for PMG's failure to meet Expectations.
Academic Framework
    a. PMG shall provide PMG Services relating to the academic performance of PIE-AZ, including but not limited to sections A, B, C, D, J, and T of Exhibit A of this Agreement, in a manner sufficient to achieve a "Meets Standard" or "Exceeds Standard" on the State Board's Academic Performance Framework as then adopted by the State Board and as applicable to PIE-AZ.

B. Financial Framework
    a. PMG shall provide PMG Services relating to the financial performance of PIE-AZ, including sections J, K, L, and M of Exhibit A of this Agreement, in a manner sufficient to achieve a "Meets Standard" on the State Board's Financial Performance Framework as then adopted by the State Board and as applicable to PIE-AZ.

C. Operational Framework
    a. PMG shall provide PMG Services relating to the operational performance of PIE-AZ, including sections E, F, G, H, I, M, N, O, P, Q, R, and T of Exhibit A of this Agreement, in a manner sufficient to achieve a "Meets Standard" on the State Board's Operational Performance Framework as then adopted by the State Board and as applicable to PIE-AZ.