

SECOND AMENDMENT TO MANAGEMENT AGREEMENT

This Second Amendment to Management Agreement is made and entered into as of the 26th day of April, 2014, by and between **Mosaica Education, Inc.**, a Delaware corporation ("MEI"), and the **Muskegon Heights Public School Academy System** (the "System"), a Michigan non-profit corporation and public school academy organized under the Michigan Revised School Code (the "Code").

RECITALS

WHEREAS the System and MEI entered into a Management Agreement on July 9, 2012 (the "Management Agreement") whereby MEI agreed to perform certain services related to the Academy's educational program and operations and the System agreed to pay MEI a management fee for those services; and

WHEREAS the System and MEI entered into a First Amendment to Management Agreement that was effective as of June 24, 2013; and

WHEREAS the System and MEI desire to further amend the Management Agreement to clarify their relationship, to provide for an orderly transition of management functions to the System upon termination of the Management Agreement and to resolve certain disputes that have arisen under the Management Agreement; and

NOW THEREFORE, the System and MEI mutually agree as follows:

1. **Term of Agreement.** The System and MEI agree to (a) modify Article II, Term by eliminating Article II, Section 2.02 Renewal in its entirety; and (b) to amend Article II, Section 2.01 Term to read as follows:

2.01 Term. This Agreement will become effective as of the date hereof (the "Effective Date"), cover two academic years and end on June 30, 2014 (the "Termination Date").

2. **MEI Compensation.** The System and MEI agree to modify **Article IV. Consideration**, to have 4.01(a) and (b) read as follows:

4.01(a) Compensation for Services. Commencing July 1, 2012, for the term of this Agreement, below, the Academy will pay MEI an annual fee calculated as follows:

- (i) **2012-2013 School Year.** The annual fee to be paid for services performed between July 9, 2012 through June 30, 2013 shall be the sum of (a) \$439,169 plus (b) \$200,000 as a license fee for Paragon and (c) twelve and one-half (12.5%) percent of all adjusted gross revenues in excess of \$9,905,357 received during that school year.
- (ii) **2013-2014 School Year.** The annual fee to be paid for services performed between July 1, 2013 through June 30, 2014 shall be the sum of (a) \$1,038,169

\$1,038,169 plus (b) \$200,000 as a license fee for Paragon and (c) twelve and one-half (12.5%) percent of all adjusted gross revenues in excess of \$9,905,357 received during that school year.

MEI's annual fee shall be paid in twelve (12) equal monthly installments beginning in July of each school year. The exact day of the month that each monthly installment payment is to be paid will coincide with the timing of any state aid payment from the State of Michigan to be received in that month. In months where no state school aid payments are to be received, the day of the month when that monthly installment will be due will be mutually agreed upon by the parties after taking into consideration available year-end funds and the timing of funds to be made available from state aid anticipation notes or other sources. All installments of the annual fee for the 2013-2014 school year shall be paid by June 30, 2014 if this Agreement is not extended beyond that scheduled termination date. The amount of the annual fee is subject to reduction in a mutually agreeable amount in any school year if extenuating circumstances make the entire annual fee inappropriate.

(b) Any additional compensation paid to MEI by the System during each fiscal year under this Agreement pursuant to Section (a)(i)(c), (a)(ii)(c), or any other provision of this Agreement shall not exceed \$196,143 in 2012-2013 or \$459,290 in 2013-2014.

The System and MEI agree that all compensation payable to MEI under (i) above has been paid in full, that none of the compensation payable to MEI under (ii) above has been paid, and that all compensation payable to MEI under (ii) above shall be payable solely in accordance with the terms of the attached Management Transition Agreement.

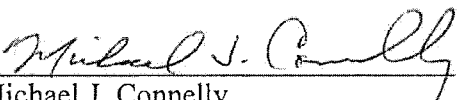
3. **Damages Upon Termination.** The System and MEI agree to modify Article XII. Dispute Resolution by deleting Section 12.02 Damages Upon Termination in its entirety.

4. **Transition Issues.** The System and MEI agree to incorporate the attached Appendix A Management Transition Agreement as part of this Second Amendment to Management Agreement.


5. Except as modified by this Second Amendment to Management Agreement, all other provisions of the July 9, 2012 Management Agreement (as previously modified by the First Amendment to the Management Agreement) shall remain the same.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date and year first above written.

Mosaica Education, Inc.

By: 
Michael J. Connelly
Its Chief Executive Officer

**Muskegon Heights Public School
Academy System**

By: 
Arthur Scott
Its Board President

Appendix A
Management Transition Agreement

1. **Second Amendment to Management Agreement.** The Second Amendment to Management Agreement establishes the expiration date of the Management Agreement to be June 30, 2014. The ending of the Management Agreement shall be announced by means of a joint press release, a copy of which is attached as Exhibit 1. The System and MEI will also collectively prepare and disseminate a notice to parents and students explaining in general terms the ending of MEI as the System's educational services provider. The System and MEI will coordinate their efforts to communicate the changes to occur at the System with the Muskegon Heights Public School Emergency Manager.

2. **Payments to MEI by the System.** The following payments shall be made by the System to MEI in satisfaction of all amounts that may be due to MEI for the services it provided under the Management Agreement and the services that will be provided by MEI pursuant to this Management Transition Agreement:

(a) **Staff Wages amounts advanced by MEI.** The System agrees to make the following payments to MEI to reimburse it for the \$761,878.82 that MEI has expended for wages for employees assigned to work at System facilities for services provided through March 31, 2014 for which it has not been previously reimbursed:

- (1) \$152,375 to be paid within three (3) working days of the effective date of the Second Amendment to Management Agreement.
- (2) \$228,563 to be paid on June 30, 2014.
- (3) \$380,940.82 to be paid upon completion of MEI's services related to the audit of the financial statements for the 2013-2014 school year and the preparation of all required end of the year financial reports.

(b) **Staff Wages for services performed on or after April 1, 2014.** As soon as administratively possible after the effective date of the Second Amendment to Management Agreement, the System will transfer to MEI the \$202,489.32 necessary to fund the staff payroll for April 30, 2014. Three days prior to the payroll date of the seven remaining payrolls applicable to service in the 2013-2014 school year that will occur after April 30, 2014, the System will transfer to MEI the amounts necessary to fund the staff payroll. The following amounts are estimated to be the amounts of those payrolls, but MEI will provide the exact amount of each payroll to the System five days prior to the payroll date:

- (1) May 15, 2014 (\$225,000)
- (2) May 31, 2014 (\$225,000)
- (3) June 15, 2014(\$225,000)

- (4) June 30, 2014 (\$225,000)
- (5) July 15, 2014 (\$225,000)
- (6) July 31, 2014 (\$225,000)
- (7) August 15, 2014 (\$225,000)

(c) **Staff Fringe Benefits for services performed on or after April 1, 2014.** Under the Management Agreement, the System has the obligation to pay or reimburse MEI for the cost of health, dental and vision insurance for certain MEI employees assigned to perform work at the System. As soon as administratively possible after the effective date of the Second Amendment to Management Agreement, the System will reimburse MEI the amount of \$49,813.58, which represents the net amount after receipt of the employee portion of the insurance premiums that has been paid by MEI for the April 2014 health, dental and vision insurance premiums for MEI employees assigned to the System, if and to the extent that those amounts have not already been paid or reimbursed to MEI. Three days prior to the insurance premium payment dates for May, June and July 2014, the System shall pay or reimburse MEI the following amounts for health dental and vision insurance for these MEI employees:

- (1) May 2014 \$49,813.58
- (2) June 2014 \$49,813.58
- (3) July 2014 \$49,813.58

These amounts are estimated to be cost of the health, dental and vision insurance, but MEI will provide the exact amount of each insurance premium to the System five days prior to the insurance payment date.

(d) **MEI Staff Wage and Fringe Benefits for services performed on or after April 1, 2014.** As soon as administratively possible after the effective date of the Second Amendment to Management Agreement, the System shall pay to MEI the amount of \$28,189.08, which represents the cost during April 2014 for MEI to employ individuals to perform work at System schools whose employment related costs are not subject to reimbursement under the Management Agreement. Additional payments of \$28,189.08 shall be made on May 31, 2014 and on June 30, 2014, to reflect the cost of these employees during the months of May 2014 and June 2014 while providing services under the Management Agreement.

(e) **Management Fees and Paragon Licensing Fees.** MEI acknowledges that all amounts due to MEI as management fees and/or Paragon licensing fees for the 2012-2013 school year have been paid, but the management fees and/or Paragon licensing fees for the 2013-2014 school year have not been paid. Under Section 4.01(a) Compensation for Services of the Management Agreement, the System and MEI have agreed that "The amount of the annual fee is subject to reduction in a mutually agreeably amount in any school year if extenuating circumstances make the entire annual fee inappropriate." Pursuant to this provision, the System and MEI agree that the amount of management fees

and/or Paragon licensing fees for the 2013-2014 school year shall be reduced to the amounts reflected in (d) above, and that receipt of those amounts will satisfy in full the System's 2013-2014 management fees and/or Paragon licensing fees payment obligations to MEI.

(f) **Website.** The System will reimburse MEI for all actual costs related to the transfer of the current MTIGERS website to the System, provided, however that the System's obligation to reimburse MEI for these costs is limited to not more than \$3,000. If the cost to transfer the Website to the System is greater than \$3,000 the System shall not be obligated to assume responsibility for the Website.

3. **Actions to be taken by the System.** The System agrees to take the following actions:

(a) **Paragon License.** The System shall cease utilization of the Paragon curriculum effective June 30, 2014 and shall retain no rights to use that curriculum after that date.

(b) **MEI Materials.** The System shall take the actions required under Section 7.06 of the Management Agreement to ensure that within five business days after June 30, 2014 all MEI materials will have been returned to MEI.

4. **Actions to be taken by MEI.** MEI agrees to take the following actions:

(a) **Management Services through June 30, 2014.** MEI agrees to perform the Educational Services and Administrative Services required under the Management Agreement through June 30, 2014, and to provide the following transition services to the System after June 30, 2014:

(1) Assistance in connection with any audits of state and federal grants or programs, including any required financial expenditure reports and/or program performance reports;

(2) Assistance in connection with the preparation or filing of any required educational or expenditure report for special education for the period prior to June 30, 2014;

(3) Cooperating with the System and its agents in the finalization of the financial audit for the 2013-2014 school year; and

(4) Cooperating in the transfer to the System of all System business, student, employment and financial records maintained by or in the possession of MEI; and

(5) Cooperating in the transfer to the System of all System personal property maintained by or in the possession of MEI, including disclosure of all passwords.

MEI will not be required to perform any planning for the 2014-2015 school year, to prepare a proposed budget for that school year, to prepare a student or staff recruitment plan for the 2014-2015 school year or to apply for grants or donations for that school year.

(b) **Transition Services.** MEI agrees to return all System records in written, and if feasible, in electronic form. Services to be performed after June 30, 2014 will include

matters not completed before that date including, but not limited to, assistance in connection with any audits of state and federal grants or programs and cooperating with the System and its agents in the finalization of the annual financial audit for the 2013-2014 school year. In addition, MEI will cooperate in the transition of the System to another educational service and management provider, provided that MEI shall not be required to divulge any proprietary materials or trade secrets.

(c) **Waiver of Non-compete.** MEI acknowledges that under Section 6.06 of the Management Agreement there is no restriction on the ability of MEI employees working as teachers or staff at System facilities teachers or staff that would prevent those employees from working for the System or any other entity providing educational services to the System after the termination of the Management Agreement. Section 6.06 does, however, contain restrictions preventing the System from hiring certain other employees of MEI for a period of one complete school year after termination of the Management Agreement. MEI agrees during the period from April 26, 2014 through August 1, 2014 to waive the Non-Hiring provisions of Section 6.06 of the Management Agreement and any other non-competition agreements contained in any individual contract of employment that would prohibit the following MEI employees who were assigned to work at a System school as of April 24, 2014 as a Vice President, HOS, Principal, or Special Education Consultant from being employed by the System, any successor management company, or any other school district providing educational services to the System.:

Alena Zachary Ross
Carla Turner Laws
Shawn Hurt
Stacey Pullet
Glenda Robinson-Scott

This waiver does not apply to any MEI-proprietary information or trade secrets and MEI will provide guidance to its employees regarding the type of information that they should not be divulging regarding MEI.

(d) **Website.** MEI will assist in the transfer of the current MTIGERS website currently maintained by MEI. MEI shall not be required to incur, nor shall the System be required to reimburse, more than \$3,000 in costs related to the transfer.

5. **MEI Waiver and Release of Claims.** MEI voluntarily agrees to and hereby does knowingly, fully and completely waive and release any and all statutory, administrative or common law claims, rights or causes of action seeking damages, costs, expenses, compensation, or any other relief that it has or may have, including but not limited to claims for reimbursement of future advances or out of pocket expenses as set forth in Section 7.04 of the Management

Agreement against (1) the System, its officers, agents, servants and employees, as well as any predecessor or successor and assigns to them, (2) The School District of the City of Muskegon Heights, its officers, agents, servants and employees, including the Emergency Manager of the School District of the City of Muskegon Heights, as well as any predecessor or successor and assigns to them, and (3) the State of Michigan its officers, agents, servants and employees, as well as any predecessor or successor and assigns to them, which arises out of or is in any way connected with the Management Agreement or the termination of the Management Agreement. This waiver and release applies to the right to initiate or proceed with any state or federal lawsuit, any local, state or federal administrative proceeding, arising out of or in any way connected with the Management Agreement or the termination of the Management Agreement. This waiver and release does not apply to claims regarding an alleged breach of the terms of this Management Transition Agreement.

6. **System Waiver and Release of Claims.** The System voluntarily agrees to and hereby does knowingly, fully and completely waive and release any and all statutory, administrative or common law claims, rights or causes of action seeking damages, costs, expenses, compensation, or any other relief that the System has or may have against MEI, its officers, agents, and employees which arises out of or is in any way connected with the Management Agreement or the termination of the Management Agreement. This waiver and release applies to the right to initiate, proceed with or participate in any state or federal lawsuit, any local, state or federal administrative proceeding, arising out of or in any way connected with actions taken by MEI within the scope of its obligations under the Management Agreement. This waiver and release does not include claims regarding the alleged breach of the terms of this Management Transition Agreement.

7. **Outstanding Bills to Vendors.** Attached as Exhibit 2 is a current list of outstanding bills to vendors that have been engaged by MEI or by MEI on behalf of the System to provide services to the System. MEI represents that, to the best of its knowledge, this list is accurate as for bills received through April 22, 2014 and that except for obligations of the System to MEI it includes all outstanding accounts payable in respect to such invoices. Attached as Exhibit 3 is a list of vendors who have established an account with the System. MEI is not aware of any other vendors not listed who have been engaged to provide services to the System or who are owed any amounts by the System.

8. **Outstanding Amounts Reimbursable to MEI.** With the exception of the amounts addressed in Paragraph 2 above, MEI represents that the only additional amounts for which MEI is entitled to seek reimbursement are as follows:

(a) \$ 5,600 paid by MEI to reflect the costs incurred by Dr. Blakey to secure a grant for the System.

(b) \$8,080 paid by MEI for life and disability insurance and the supplemental bill for this coverage through July 30, 2014 that will be received at a later date.

- (c) The cost of workers' compensation coverage estimated to be \$27,815.32.

These amounts will be submitted for reimbursement in accordance with Section 4.02 and 4.04 of the Management Agreement. MEI represents and warrants that except with respect to amounts under (c) above, all workers' compensation coverage obligations of MEI related to services to the System have been paid in full.

9. **Non-Disparagement.** The System agrees that its officers and employees will not make any disparaging or hostile comments about MEI or any officer or employee of MEI. A "disparaging or hostile comment" as used herein shall mean any communication, oral or written, that discredits or reflects negatively on MEI or its officers or employees. MEI agrees that its officers and employees will not make any disparaging or hostile comments about the System or any officer or employee of the System, about the School District of the City of Muskegon Heights or any officer or employee of the School District of the City of Muskegon Heights, including the Emergency Manager, or about the State of Michigan or its officers or employees. A "disparaging or hostile comment" as used herein shall mean any communication, oral or written, that discredits or reflects negatively on the System, the School District of the City of Muskegon Heights or the State of Michigan, or any of the officers or employees of those entities. The parties agree to work together and cooperatively with the School District of the City of Muskegon Heights Emergency Manager on any public communications and press inquiries.

10. **Funds from Grants and Programs.** MEI acknowledges that funds to be received by the System from charter school planning grants and programs such as Title I are the funds of the System and MEI has no claim to any portion of those funds.

11. **Cooperation regarding documents necessary to secure funds.** MEI and the System agree to cooperate with each other to provide any certifications that may be required for the System to acquire the funds necessary to make the payments required under this Management Transition Agreement.

12. **Conflict between Management Agreement and Management Transition Agreement.** In the event of a conflict between the terms of this Management Transition Agreement and the terms of the Management Agreement, the terms of the Management Transition Agreement shall apply.