

Exhibit 2

CHARTER

FILE COPY

Pursuant to G.S. 115C-238.29A et seq. the North Carolina State Board of Education (hereinafter referred to as "SBE") grants the (nonprofit corporation name) a Charter to operate (School name), a School (hereinafter collectively referred to as "the School").

1. Application-Binding

The SBE has reviewed the Application submitted by the School and has approved it subject to adherence to all requirements set forth in this Charter and in the School law. The Application is fully incorporated in this Charter and all representations and conditions contained in the Application are binding on the School. The School shall immediately submit in writing to the Office of Schools SBE and the local board of education in which the School is located of any proposed substantial changes to the Application or the representations or conditions contained in the Application. The SBE reserves the right to reject any proposed changes to the Application once the Application has been approved.

2. Operation of School

The School shall at all times be operated by the board of directors of the non-profit corporation in accordance with G.S. 115C-238.29A et seq. and all other applicable laws and regulations.

3. Compliance With Other Laws

The School shall comply with all applicable federal laws and regulations, including, but not limited to, such laws and regulations governing employment, environment, disabilities, civil rights, children with special needs, transportation, and student records. The School shall also comply with all applicable health and safety laws and regulations, whether federal, state, or local. Neither the SBE nor the local board of education assumes the duty to oversee the operations of the School except as may otherwise be provided by law or separate contract. Neither the SBE nor the local board is required to monitor the School for compliance with applicable laws and regulations. The School is required to notify parents, students and staff of the School of the provisions of this paragraph.

4. Tax-Exempt Status

The School understands that, pursuant to G.S. 115C-238.29E(b) it is obligated to obtain federal tax-exempt status no later than twenty-four months from the date the SBE gives final approval of its Application.

5. Enrollment

- a. Admission and enrollment of students shall be as prescribed by the School Act. Failure to adhere to the lottery requirements set forth in G.S. 115C-238.29F(g) is grounds for termination of this Charter.

- b. The School shall report (electronically if the School has the means to report through Student Information Management System or other student data information system as designated by the SBE) the names, addresses, names of the legal custodian of the students, addresses of the legal custodian of the students, and Student ID number of all students enrolled, as required by the SBE. On September 1 of each year or following the 20th day Average Daily Membership (hereinafter referred to as "ADM") headcount, whichever is later, the School will provide to the local boards of education from which it is entitled to receive local funds the above information with regard to any students from those districts enrolled in the School. This information will be provided electronically in a Uniform Education Reporting System approved software or system. When a student withdraws from the School, the School shall promptly notify the local board of education responsible for the attendance area in which the student resides so that the local board may fulfill its legal obligation to verify the student's compliance with compulsory attendance laws.
- c. Requests for the School to increase its enrollment beyond that set out in its initial application shall be submitted to the SBE the Office of Schools. This provision does not apply to enrollment increases that are authorized under to G.S. 115C-238.29D(d).

6. Financial and Governance Warnings

This Charter incorporates by reference, and the School is subject to, State Board Policy EEO-U-006, Policy for Schools on Financial and Governance Noncompliance (effective 04/06/2000), and any subsequent amendments to such Policy. A copy of the policy may be obtained by contacting the Office of Schools, Department of Public Instruction, Raleigh, NC.

7. Children with Special Needs

- a. As prescribed by the SBE and in accordance with state and federal laws, the School will provide to the SBE the total number of children with special needs, identified in accordance with state and federal laws, enrolled in the School.
- b. The School accepts and understands that for purposes of federal and state law, it is obligated to provide free and appropriate education and related services to children with special needs.

8. Term

This Charter is effective on July 1 of the year that final approval is granted, and shall continue for ten (10) years. It shall terminate June 30 of the last year without further notice from or action by the SBE. The School may apply to renew the Charter pursuant to SBE policies and procedures.

9. Reporting Requirements

The School shall submit such reports as required by the SBE. Failure to submit such reports may be grounds for revocation of the Charter.

10. Technical Assistance

The School may request technical assistance from the SBE in any areas including curriculum matters and financial concerns. In no event is DPI or the SBE responsible for any financial support other than the ADM funding as provided by law.

11. Records

a. Access

Subject to state and federal laws, the local board of education, the SBE, its agents, and the State Auditor shall have the right to examine and copy all records, reports, documents, and files relating to any activity, program, or student of the School.

b. Public Records Law

The School is subject to the Public Records Law, Chapter 132 of the General Statutes. This provision is effective upon the SBE's final approval of the School's Application.

c. Student Records

The School is subject to all the provisions of Article 29 of Chapter 115C, entitled "Protective Provisions and Maintenance of Student Records." In the event the School closes, it shall transmit all official student records to the Department of Public Instruction.

12. Insurance and Bonding

a. The School shall obtain and maintain insurance at a minimum in the following amounts:

- 1) errors and omissions: one million dollars (\$1,000,000) per claim;
- 2) general liability: one million dollars (\$1,000,000) per occurrence;
- 3) boiler and machinery: the replacement cost of the building;
- 4) real and personal property: the appraised value of the building and contents;
- 5) fidelity bonds: the amount of funds received by the School in the previous fiscal year from state and local sources;
- 6) automobile liability: one million dollars (\$1,000,000) per occurrence; and
- 7) workers' compensation: as specified by Chapter 97 of the General Statutes.

b. The provisions of Paragraph 1 shall not preclude any School from obtaining liability insurance coverage in addition to or in excess of the requirements stated in this section.

13. Health, Safety, Welfare

The School shall adhere to all applicable federal, state, and local health and safety laws and regulations. The School shall grant access to local health and fire department officials for inspection of premises or operations of the School for purposes of ensuring the health, safety and welfare of students and employees.

14. Facilities

Prior to commencing operation of the School, the School shall provide to the SBE a description of the facility, the financing for the facility and evidence from local government inspection authorities that the School's facilities are currently safe (e.g. Certificate of Occupancy for Educational Use). In the event the School subsequently makes substantial changes in its facility or relocates to another facility, it shall comply with the foregoing conditions.

15. Licensed Employees

- a. All employees who hold professional valid licenses issued by the SBE are subject to the rules pertaining to licensed professionals and their licenses may be revoked based on any of the grounds listed in 16 N.C.A.C. 6C. 0312. In addition, licensed administrators are subject to the mandatory reporting requirement if a licensed employee engages in physical or sexual abuse of a child.
- b. Prior to each academic year, and as required by the SBE, the School will report the total number of teachers and the total number of teachers who hold valid licenses who are employed to teach at the School. Failure to employ at least the number of licensed teachers required by law to teach in the School shall be grounds for revocation of the Charter.
- c. The School understands and agrees that it shall not employ, or accept voluntary services from, any individual whose certificate or license has been suspended or revoked by the SBE or any other licensing board or agency on the grounds of unethical or immoral behavior, including improper sexual or physical conduct with children or students. Violation of this provision will result in immediate revocation of the Charter.
- d. In the case of a School employee who is on leave from employment with the local board pursuant to G.S. 115C-238.29F(e) or its successor statute, the School will notify the local board if such employee is suspended, terminated, asked to resign, or otherwise subjected to disciplinary action because of poor performance or misconduct the School will notify the appropriate local board of education. The School shall cooperate with the local board and shall provide any information requested concerning such employees.

16. Fees

As prescribed by law, the School shall not charge tuition or fees.

17. Transportation

The School shall provide transportation for students as prescribed by law.

18. Indemnity

The School agrees to indemnify and hold harmless the SBE, DPI, the constituent institutions of the University of North Carolina, 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 School caused by any intentional or negligent act or omission of the School, its officers, agents, employees, and contractors.

19. Student Discipline

- a. The School agrees to and shall comply with Article 27 of Chapter 115C of the General Statutes, except as otherwise provided by law or as may be provided by contract entered into with the local board of education.
- b. The School shall comply with all applicable federal and state laws and regulations governing discipline of children with disabilities, including compliance with 20 U.S.C. Sec. 1400 *et seq.* and Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. Sec. 706(8).
- c. The School shall comply with state and federal due process requirements both in notifying students of conduct for which they may be suspended or expelled and in providing notice and hearing opportunities to students being recommended for exclusion from the School. If the School suspends a student with special needs, it shall continue to provide to the student all continuing education services to the extent mandated by federal and state laws and regulations. In the event the School suspends or expels a student, the School shall promptly notify local School officials in the School district to which the student would otherwise be assigned. Such notification shall include the student's name, special education status, length of suspension/expulsion and the circumstances giving rise to the suspension or expulsion. At the beginning of each School year, the School shall notify all parents/legal guardians that: "[T]he local board may refuse to admit any student who is suspended or expelled from a School due to actions that would lead to suspension or expulsion from a public School under G.S. 115C-391 until the period of suspension or expulsion has expired." (G.S. 115C-238.29B(b)(11)).

20. Instruction

As prescribed by law, the School shall provide a minimum of 180 days of instruction.

21. Criminal Background Checks

The School agrees to conduct thorough background checks on all of its employees. The SBE will conduct criminal history checks as authorized by statute of School personnel responsible for the fiscal affairs of the School. In addition, the SBE may conduct criminal history checks of any School personnel or director when the SBE deems it necessary to protect the financial integrity of the School or when necessary

to protect the health and safety of students or employees. Refusal by any individual to submit to a fingerprint check is grounds for termination of employment and/or revocation of the Charter.

The SBE may consider the refusal of an individual to submit to a fingerprint check in determining whether:

- a. to grant final approval of the Charter application;
- b. to recommend to the School that the individual be denied employment; and/or
- c. to revoke the Charter of the School.

The costs for conducting criminal history checks shall be borne by the School.

22. Open Meetings; Public Records

The School agrees to be subject to the Open Meetings law (Article 33C of Chapter 143 of the General Statutes). This provision is effective upon the SBE's final approval of the School's Application.

23. Assignment

Assignment of the School to another entity is deemed an amendment to the Charter and must have prior written approval of the SBE.

24. Termination of Charter

a. Grounds

The SBE may terminate this Charter on any of the following grounds:

- 1) Failure to meet the requirements for student performance;
- 2) Failure to meet generally accepted standards of fiscal management;
- 3) Violation of law;
- 4) Material violation of any of the conditions, standards, or procedures set forth in the Charter;
- 5) Two-thirds of the faculty and instructional support personnel at the School request termination or nonrenewal; or
- 6) Other good cause warranting nonrenewal or termination.

b. Procedures

The following procedures will apply to the termination proceedings:

- 1) When the Charter School Advisory Committee shall have sufficient information to initiate termination of a Charter, it shall give the School written notice of its intention to recommend revocation of the Charter. The notice will be sent by certified mail, return receipt requested, and shall state in reasonable detail the grounds for the recommendation. If information available to the Committee indicates that the School's current operation poses an immediate threat to the education, health, safety, or welfare of the School's

students or employees or the public, the SBE may take appropriate protective action pending a final decision on the termination of the Charter.

- 2) If the SBE approves the recommendation of the Charter School Advisory Committee, notice will again be sent as specified in Paragraph (a).
- 3) If the School objects to the termination of the Charter, it must, within ten days following the date on which notice of the SBE's action was mailed, deliver to the Office of Charter Schools a written request for a review by the SBE. If the School fails to deliver a timely request for review, the Charter shall terminate on the eleventh day after the date the notice was mailed. If a timely request for a review is made by the School, the Office of Schools will transmit the request to the appropriate Review Panel appointed by the Chair of the SBE. The Review Panel may review the matter with or without a formal hearing. If the Review Panel elects to conduct a hearing, the hearing shall be held within 30 days of receipt of the written request, unless otherwise agreed to by the parties. At the conclusion of its review, the Review Panel shall submit a written recommendation to the SBE. Unless the SBE and the School otherwise agree, the SBE shall make a final decision at its next regularly scheduled meeting.

25. 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 Charter. "Parties," for purposes of this paragraph only, include the parties to this Charter as well as the local board of education and the Board of Trustees of any constituent institution of the University of North Carolina. No officers, employees, agents, or subcontractors of the School shall be considered officers, employees, agents or subcontractors of the local board of education, the Board of Trustees of any constituent institution of the University of North Carolina, or the SBE.

26. Agreements with Local Boards of Education

This Charter shall not preclude the School from entering into any agreements with the local board of education; provided, no such agreements shall supersede or override any provision of this Charter.

27. Notice

Any notice the School is required or permitted to submit under this Charter shall be delivered to:

**Director, Office of Schools
Department of Public Instruction
301 N. Wilmington Street
Raleigh, NC 27601-2825**

All faxes sent by the School shall be followed by hard copies postmarked within the next business day of the fax transmittal.

28. Severability

If any provision of this Charter is determined to be unenforceable or invalid for any reason, the remainder of this Charter shall remain in effect, unless the Charter is revoked or relinquished.

29. Non-Endorsement

The School acknowledges that the granting of a Charter in no way represents or implies endorsement by the SBE of any method of instruction, philosophy, practices, curriculum, or pedagogy used by the School or its agents; nor does the granting of this Charter constitute a guarantee by the SBE of the success of the School in providing a learning environment that will improve student achievement.

30. Legislative Action

This Charter and any amendments to it and renewals of it are subject to applicable laws enacted by the General Assembly and shall be deemed amended to reflect applicable changes to those laws. Upon repeal of the statutes authorizing this Charter, this Charter is null and void.

FOR THE SCHOOL: KINSTON CHARTER ACADEMY

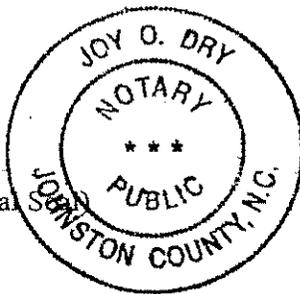
This 11th day of March 2004

Harry Maurice Barnes

(Type or Print Name of Board Chair)

Harry Maurice Barnes

(Signature of Board Chair)



(Official Seal)

Sworn to and subscribed before me this 11th
day of March, 2004

Joy O. Dry

Notary Public

My commission expires April 4, 2008.

FOR THE STATE BOARD OF EDUCATION:

This 8th of January 2004

Michael E. Ward, State Superintendent

Michael E. Ward

(Signature of State Superintendent)



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