

INTEREST FREE LOAN AGREEMENT

This Loan Agreement, dated as of April __, 2012 (this “Agreement”) is made by and between Citizens of the World Charter Schools, a California nonprofit public benefit corporation (the “Lender”), and Citizens of the World Charter Schools - Los Angeles, a California nonprofit public benefit corporation (the “Borrower”).

The Lender has agreed to make a loan of \$450,000 to Borrower (the “Loan”) subject to the terms, covenants and conditions set forth in this Agreement. Accordingly, for valuable consideration, the receipt and sufficiency of which are acknowledged, the Lender and the Borrower agree as follows:

1. Definitions. Certain capitalized terms used in this Agreement are defined on the attached Schedule of Definitions.

2. The Loan.

(a) Purpose. The proceeds of the Loan shall be used in furtherance of the Borrower’s tax-exempt educational and charitable purposes, and shall not inure to the benefit of any private shareholder or individual within the meaning of section 501(c)(3) of the Code. Specifically, the proceeds of the Loan shall be used for the development of, and start-up costs related to, the new Citizens of the World school expected to open in the Silver Lake neighborhood of Los Angeles.

(b) Interest. The outstanding principal balance of the Loan shall bear no interest. Accrued interest, if any, shall be payable in arrears on the last day of each Interest Period, and on the Termination Date.

(c) Principal Payments. The unpaid principal balance of the Loan shall be due and payable in full on the Termination Date.

(d) Prepayment. The Loan may be prepaid in whole or in part at any time without a premium or penalty. Loan repayments and prepayments may not be reborrowed.

(e) Default. If an Event of Default occurs under the applicable Loan Documents, and while such Event of Default is continuing, the interest rate on the outstanding Loan amount may be increased by 2.00% above the rate otherwise in effect.

(f) Late Charge. The Lender may assess a late charge for any payment due under the Loan Documents that is fifteen days or more past due in the amount of 5% of such past due payment.

3. Conditions to Funding of the Loan. The Loan shall be fully funded within 5 Business Days of the date of this Agreement, subject to the following conditions precedent:

(a) No Defaults. No Default shall be continuing.

(b) Representations. All representations and warranties of the Borrower contained in this Agreement or any Loan Document shall be true and correct in all material respects.

4. Representations and Warranties. In order to induce the Lender to make the Loan to the Borrower, the Borrower represents and warrants as follows:

(a) Legal Existence. The Borrower is a nonprofit public benefit corporation duly formed, validly existing and in good standing under the laws of the State of California.

(b) Tax-Exempt Status. The Borrower qualifies for exemption from federal income taxation pursuant to section 501(c)(3) of the Code. The Borrower qualifies for exemption from California state income taxation pursuant to section 23701d of the California Revenue and Taxation Code.

(c) Execution of Documents. The Borrower has the power and has taken all of the necessary actions to execute, deliver and perform the terms of the Loan Documents. When executed and delivered, the Loan Documents will be binding obligations of the Borrower, enforceable in accordance with their terms and will not violate any provisions of law or conflict with, result in a breach of or constitute a default under the organizational documents of the Borrower or under any other agreement to which the Borrower is a party.

(d) Compliance with Laws. The Borrower is in compliance in all material respects with all federal, state and local laws, regulations and ordinances, including but not limited to environmental laws and regulations.

(e) Debt. The Borrower is not in default with respect to any debt.

5. Covenants. In consideration of the Loan, the Borrower covenants and agrees that, unless the Lender otherwise consents in writing:

(a) Notices. The Borrower shall furnish to the Lender prompt written notice of (1) the occurrence of each Default or an Event of Default, or (2) the institution of any material litigation concerning the Borrower.

(b) Compliance with Laws. The Borrower shall comply with all applicable laws and regulations (including, without limitation, environmental laws and regulations) and shall timely pay all due and payable taxes, assessments or governmental charges lawfully levied or imposed on or against it or any of its properties.

6. Default. Upon the occurrence of an Event of Default, any obligation of the Lender to make the Loan shall terminate and the Lender, at its option, by written notice to the Borrower, may declare all Indebtedness to the Lender to be immediately due and payable.

7. Miscellaneous.

(a) Notices. All notices, requests, demands or other communications provided for in this Agreement or any other Loan Document shall be in writing and shall be delivered by hand, sent prepaid by a recognized overnight delivery service or sent by the United States mail, certified, postage prepaid, return receipt requested, to the Lender at 5731 Wilshire Boulevard, Suite 210, Los Angeles, California 90036, or to the Borrower at 5731 Wilshire Boulevard, Suite 210, Los Angeles, California 90036 with a copy to Ofer Lion at Hunton & Williams LLP, 550

South Hope Street, Suite 2000, Los Angeles, California 90071-2627, or at such other address as may be specified by a party in a written notice given to the other party.

(b) Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Lender and the Borrower, and their respective successors and assigns, provided that the Borrower may not assign or transfer its rights under this Agreement. The Lender may, at any time, sell, transfer or assign the Note and any Loan Documents, and any or all servicing rights with respect thereto.

(c) Waiver. The rights of the Lender under this Agreement and the other Loan Documents shall be in addition to all other rights provided by law. No waiver of any provision of this Agreement, or any other Loan Document, shall be effective unless in writing, and no waiver shall extend beyond the particular purpose involved. No waiver in any one case shall require the Lender to give any subsequent waivers.

(d) Third Parties; Benefit; Miscellaneous. All conditions to the Lender's obligation to make the Loan are imposed solely for the benefit of the Lender and its successors, assigns and participants, and no other person shall be deemed to be a beneficiary of such conditions or be entitled to require satisfaction of such conditions in accordance with their terms or to assume that the Lender will require strict compliance therewith. The terms and provisions of this commitment are for the benefit of the parties hereto and no other person shall have any right or cause of action on account thereof.

(e) Sole Agreement. This Agreement and the other Loan Documents represent the entire agreement between the Lender and the Borrower, and supersede all prior commitments and may be modified only by an agreement in writing signed by both parties hereto.

(f) Survival of Agreement. All terms contained in this Agreement shall survive the delivery of this Agreement and the other Loan Documents and the making of the Loan and shall remain in full force and effect until the Indebtedness is fully discharged.

(g) Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, THE LENDER AND THE BORROWER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY BASED ON, ARISING OUT OF OR UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

(h) Governing Law. This Agreement will be governed by the laws of the State of California, without reference to conflict of laws principles.

(i) Counterparts. This Agreement may be executed in counterparts, and all such counterparts together shall constitute one and the same Agreement.

(Signature page follows)

In Witness Whereof, the parties have caused this Agreement to be executed as of the date first above written.

LENDER:

CITIZENS OF THE WORLD CHARTER SCHOOLS,
a California nonprofit public benefit corporation

By: _____
Name: _____
Its: _____

BORROWER:

CITIZENS OF THE WORLD CHARTER SCHOOLS -
LOS ANGELES,
a California nonprofit public benefit corporation

By: _____
Name: _____
Its: _____

INTEREST FREE LOAN AGREEMENT
Signature Page

SCHEDULE OF DEFINITIONS

The following terms shall have the meanings set forth below when such terms are used in this Agreement and shall be equally applicable to the singular and plural forms of such terms:

“Business Day” means any day except a Saturday, Sunday or any other day on which commercial banks in California are authorized or required by law to close.

“Closing Date” means the date on which the Loan is funded.

“Code” means the Internal Revenue Code of 1986, as amended.

“Default” means any Event of Default or any event that with the giving of notice, or lapse of time, or both, would constitute an Event of Default.

“Event of Default” means the occurrence of any of the following: (1) the failure of the Borrower to pay any Indebtedness to the Lender when the same shall become due and payable, whether at maturity, or as a result of the Lender’s demand for payment or otherwise, and such failure shall continue for a period of ten days after written notice from the Lender to the Borrower specifying such failure; (2) the failure of the Borrower to perform or observe any other term, condition, covenant, warranty, agreement or other provision contained in this Agreement or in any other Loan Document (except any such failure resulting in the occurrence of another Event of Default described in this definition), within 30 days after the first to occur of the date on which the Borrower has actual knowledge of such failure or 30 days after written notice from the Lender to the Borrower specifying such failure; (3) if any representation or warranty made, or deemed made, under the terms of this Agreement or any other Loan Document by the Borrower or any statement or representation made in any certificate, report or opinion delivered pursuant to this Agreement or any other Loan Document or in connection with any borrowing under this Agreement was materially untrue or is breached in any material respect; (4) the Borrower (whether as primary obligor or as guarantor or other surety) shall fail to pay any principal or premium or interest on any debt to the Lender or on any debt in excess of \$100,000 due to any other creditor, when and as the same shall become due and payable (whether at scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument evidencing such debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to such debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or permit the acceleration of, the maturity of such debt; or any such debt shall be declared to be due and payable; or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or any offer to prepay, redeem, purchase or defease such debt shall be required to be made, in each case prior to the stated maturity thereof; (5) if the Borrower makes an assignment for the benefit of creditors, files a petition in bankruptcy, petitions or applies to any tribunal for any receiver or any trustee of the Borrower or any substantial part of its property, or commences any proceeding relating to the Borrower under any reorganization, arrangement, readjustments of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; (6) if, within 60 days after the filing of a bankruptcy petition or the commencement of any proceeding against the

Borrower seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the proceeding shall not have been dismissed, or, if, within 60 days after the appointment, without the consent or acquiescence of the Borrower, as applicable, of any trustee, receiver or liquidator of the Borrower or of all or any substantial part of the properties of the Borrower, the appointment shall not have been vacated; (7) any judgment against the Borrower in excess of \$100,000 or any attachment in excess of \$100,000 against any property of the Borrower remains unpaid, undischarged, unbonded or undismissed for a period of 30 days; (8) the dissolution, liquidation or termination of existence of the Borrower; (9) the occurrence of an event of default under any Loan Document which is not cured within any applicable grace period, (10) once determined by the applicable governmental authority, the loss of the Borrower's tax-exempt status for federal or California state income taxes, or (11) if, in the Lender's reasonable discretion, exercised in good faith, there has been a material adverse change in the financial condition or prospects of the Borrower, and the prospects of payment of the Indebtedness are materially impaired thereby.

"Financial Contract" shall mean (1) an agreement (including terms and conditions incorporated by reference therein) which is a rate swap agreement, basis swap, forward rate agreement, commodity swap, commodity option, equity or equity index swap, bond option, interest rate option, foreign exchange agreement, rate cap agreement, rate floor agreement, rate collar agreement, currency swap agreement, cross-currency rate swap agreement, currency option, any other similar agreement (including any option to enter into any of the foregoing); (2) any combination of the foregoing; or (3) a master agreement for any of the foregoing together with all supplements.

"Indebtedness" means all indebtedness, liabilities and obligations of the Borrower to the Lender, whether now existing or arising in the future, direct or indirect, fixed or contingent, joint, several or joint and several, whether related or unrelated to the Loan, and whether of a similar or different class, including, without limitation, overdrafts, guaranties, obligations to reimburse the Lender for amounts paid by it under letters of credit issued by the Lender for the account of the Borrower and obligations of the Borrower under any Financial Contract between the Borrower and the Lender.

"Interest Period" shall mean the period beginning on the Closing Date and ending on the Termination Date and, as may be applicable thereafter, quarterly.

"Loan Documents" means this Agreement, the Note, each Financial Contract and any other document that evidences, secures, governs or otherwise relates to any of the Indebtedness.

"Note" means the \$450,000 promissory note made by the Borrower on the date hereof evidencing the obligation of the Borrower to repay the Loan, together with accrued interest, if any, and any amendments to or replacements of such promissory note.

"Termination Date" means April 30, 2017.

PROMISSORY NOTE

\$450,000

Los Angeles, California
April __, 2012

FOR VALUE RECEIVED, the undersigned CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES, a California nonprofit public benefit corporation ("Borrower"), promises to pay to the order of CITIZENS OF THE WORLD CHARTER SCHOOLS, a California nonprofit public benefit corporation ("Lender"), at its office at 5731 Wilshire Boulevard, Suite 210, Los Angeles, California 90036, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Four Hundred and Fifty Thousand Dollars (\$450,000), or so much thereof as may be outstanding, with interest thereon, if any, to be computed as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in California are authorized or required by law to close.

(b) "Loan Agreement" means that certain Loan Agreement dated as of the date hereof by and between Borrower and Lender, as such agreement may be amended or modified from time to time.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear no interest.

(b) Interest Payments. Accrued interest, if any, shall be payable in arrears on April 30, 2017 and, if applicable thereafter, quarterly, in accordance with Section 2(b) of the Loan Agreement.

(c) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum equal to two percent (2%) above the rate of interest from time to time otherwise applicable to this Note, but in no event at a rate greater than the Maximum Rate or the EBT Rate.

REPAYMENT:

(a) Repayment. Borrower may from time to time during the term of this Note partially or wholly repay its outstanding borrowing without penalty. The unpaid principal balance of this obligation at any time shall be the face value of this Note less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon

from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on April 30, 2017.

(c) Application of Payments. Each payment made on this Note shall be credited first to any interest then due and second to the outstanding principal balance hereof.

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of the Loan Agreement. Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Loan Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the occurrence and during the continuation of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and accrued and unpaid interest outstanding hereunder to be immediately due and payable without presentment, demand, or any notices of any kind, including without limitation notice of nonperformance, notice of protest, protest, notice of dishonor, notice of intention to accelerate or notice of acceleration, all of which are expressly waived by Borrower.

(b) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California.

(c) Interest Rate Savings Clause. It is the intention of the parties to comply strictly with applicable usury laws. Accordingly, notwithstanding any provision to the contrary in this Note, the Loan Agreement, or in any contract, instrument or document evidencing or securing the payment hereof or otherwise relating hereto (each, a "Related Document"), in no event shall this Note or any Related Document require the payment or permit the payment, taking, reserving, receiving, collection or charging of any sums constituting interest under applicable laws that exceed the maximum amount permitted by such laws, as the same may be amended or modified from time to time (the "Maximum Rate"). If any such excess interest is called for, contracted for, charged, taken, reserved or received in connection with this Note or any Related Document, or in any communication by Lender or any other person to Borrower or any other person, or in the event that all or part of the principal or interest hereof or thereof shall be prepaid or accelerated, so that under any of such circumstances or under any other circumstance whatsoever the amount of interest contracted for, charged, taken, reserved or received on the amount of principal actually outstanding from time to time under this Note shall exceed the Maximum Rate, then in such event it is agreed that: (i) the provisions of this paragraph shall govern and control; (ii) neither Borrower nor any other person or entity now or hereafter liable for the payment of this Note or any Related Document shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Rate; (iii) any such excess interest which is or has been received by Lender, notwithstanding this paragraph, shall be credited against the then unpaid principal balance hereof or thereof, or if this Note or any Related Document has been or would be paid in full by such credit, refunded to Borrower; and (iv) the provisions of this Note and each Related Document, and any other communication to Borrower, shall immediately be deemed

reformed and such excess interest reduced, without the necessity of executing any other document, to the Maximum Rate. The right to accelerate the maturity of this Note or any Related Document does not include the right to accelerate, collect or charge unearned interest, but only such interest that has otherwise accrued as of the date of acceleration. Without limiting the foregoing, all calculations of the rate of interest contracted for, charged, taken, reserved or received in connection with this Note and any Related Document which are made for the purpose of determining whether such rate exceeds the Maximum Rate shall be made to the extent permitted by applicable laws by amortizing, prorating, allocating and spreading during the period of the full term of this Note or such Related Document, including all prior and subsequent renewals and extensions hereof or thereof, all interest at any time contracted for, charged, taken, reserved or received by Lender. The terms of this paragraph shall be deemed to be incorporated into each Related Document.

(d) No Excess Benefit. It is the intention of the parties to comply strictly with the excess benefit transaction rules pursuant to section 4958 of the Code. Accordingly, notwithstanding any provision to the contrary in this Note, or in any Related Document, in no event shall this Note or any Related Document require the payment or permit the payment, taking, reserving, receiving, collection or charging of any sums in excess of the maximum amount allowable so that the transaction evidenced by this Note and any Related Document does not provide an “excess benefit” within the meaning of section 4958(c)(1)(B) of the Code, assuming but not requiring that Lender is a “disqualified person” (within the meaning of section 4958(f)(1) of the Code) with respect to Borrower, and assuming without requiring that Borrower is an “applicable tax-exempt organization” (within the meaning of section 4958(e) of the Code) (the “EBT Rate”). The parties have established a zero interest rate so that no excess benefit shall hereby be provided to Lender. Nonetheless, if any “excess benefit” amount is called for, contracted for, charged, taken, reserved or received in connection with this Note or any Related Document, or in any communication by Lender or any other person to Borrower or any other person, so that under any circumstance whatsoever the payment amount contracted for, charged, taken, reserved or received by Lender in connection with this Note or any Related Document shall exceed the EBT Rate, then in such event it is agreed that: (i) the provisions of this paragraph shall govern and control; (ii) neither Borrower nor any other person or entity now or hereafter liable for the payment of this Note or any Related Document shall be obligated to pay any amount in excess of the EBT Rate; (iii) any such excess amount which is or has been received by Lender, notwithstanding this paragraph, shall be credited against the then unpaid principal balance hereof or thereof, or if this Note or any Related Document has been or would be paid in full by such credit, refunded to Borrower; and (iv) the provisions of this Note and each Related Document, and any other communication to Borrower, shall immediately be deemed reformed and such excess payment obligation reduced, without the necessity of executing any other document, to the EBT Rate. The terms of this paragraph shall be deemed to be incorporated into each Related Document.

(e) Right of Setoff; Deposit Accounts. Upon the occurrence and during the continuation of an Event of Default, (i) Borrower hereby authorizes Lender, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Lender shall have declared this Note to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, Borrower's obligations and liabilities under this Note (whether matured or unmatured, fixed or contingent, liquidated or

unliquidated), any and all amounts owing by Lender to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (ii) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as Lender, in its sole discretion, may elect. Borrower hereby grants to Lender a security interest in all deposits and accounts maintained with Lender and, if and to the extent provided in any security agreement executed by Borrower, with any other financial institution to secure the payment of all obligations and liabilities of Borrower to Lender under this Note.

(f) Business Purpose. Borrower represents and warrants that the Loan evidenced by this Note (i) shall be used in furtherance of Borrower's tax-exempt educational and charitable purposes, and (ii) shall not inure to the benefit of any private shareholder or individual within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

NOTICE: THIS NOTE AND ALL OTHER DOCUMENTS RELATING TO THE INDEBTEDNESS EVIDENCED HEREBY CONSTITUTE A WRITTEN LOAN AGREEMENT WHICH REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES RELATING TO THIS NOTE AND THE INDEBTEDNESS EVIDENCED HEREBY.

(Signature page follows)

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first above written.

CITIZENS OF THE WORLD CHARTER SCHOOLS -
LOS ANGELES,
a California nonprofit public benefit corporation

By: _____
Name: _____
Its: _____

PROMISSORY NOTE - INTEREST FREE LOAN
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