

**Lighthouse Academies, Inc., Lighthouse Academies of Arkansas Inc.
and Lighthouse Academies of Indiana, Inc
Policy on Employee Compensation**

The following policy expresses Lighthouse Academies, Inc. (LHA), Lighthouse Academies of Arkansas, Inc. (LAA) and Lighthouse Academies of Indiana, Inc. (LAI), herein referred to as the "Companies" and their respective Boards of Directors' objectives with respect to pay of all employees. The Companies recognize that not all of these objectives may be completely achieved at all times for all employees; they are to serve as a guideline. All compensation information is considered confidential by the Companies. This policy will become effective for the start of the FY10 fiscal year and replaces the current policy that was in effect for fiscal year FY09.

A. STATEMENT OF COMPENSATION OBJECTIVES

It is the Companies' objectives to establish and maintain a compensation system that will:

1. Attract, retain and reward qualified personnel at all levels.
2. Reflect the responsibility associated with each position.
3. Be competitive in the marketplace, and internally consistent and fair.
4. Motivate employees to work toward achievement of the Companies' goals.
5. Obtain the highest possible degree of employee performance, morale and loyalty through salary administration.
6. Create incentive for personal growth and monetary advancement based on demonstrated performance.
7. Comply with applicable laws.

B. STATEMENT OF COMPENSATION POLICY

1. Establish wage and salary ranges that reflect the value to the Companies of the various jobs, taking into account the duties and level of responsibility of each position, experience, education and the geographic location of the school.
2. Establish and maintain differentials between job levels based on experience, education and performance.
3. Adjust pay ranges when warranted by changing economic and competitive factors as determined by periodic surveys.
4. Ensure that compensation is not influenced by age, sex, creed, national origin, disability or other protected classifications.

C. BUDGET

Local Boards of Trustees (“Boards”) who serve as the school’s fiscal agent will approve the schools’ annual budgets for the upcoming fiscal year at its spring meeting. The budgets will include amounts for salaries of employees of the Companies compensation and employee benefits including pay increases and individual and group bonuses, subject to available resources.

D. INITIAL PLACEMENT OF EMPLOYEES

The Hiring Manager will determine initial placement and compensation of staff using this policy. The total salary and benefit costs for all positions must be included within the approved budget. The initial salary placement will be based upon work experience, professional preparation, geographic location of the school and the position requirements.

E. ADJUSTMENT IN COMPENSATION

The Boards shall allocate a sum, if any, in the annual school budgets for employee compensation increases. The Boards shall also determine which portion of this allocation shall be for general pay increases, individual, group, and new hire and retention bonuses.

1. While the performance of each employee is under constant review, overall performance and pay level shall be appraised in detail not less often than once during each 12-month period. This review will determine the performance pay increase to be given, if any, and the amount of time between increases.
2. Change in the pay of an individual employee shall primarily reflect the competence in the performance of all assigned duties and accomplishment of the network’s goals. Performance shall be judged by those in management having direct supervisory responsibility for the job.
3. When an employee is promoted to a job with greater and/or more complex responsibility, the rate of pay shall be increased to properly reflect the employee’s new role, subject to available funds in the budget.
4. All proposed changes in school employees’ wages and salaries, except for general increase granted to all employees by the local Board, must be approved by the principal and the regional director. All requests for pay adjustments must be supported by written, company-related documentation, such as a performance evaluation, and approved by the principal and regional director. Proposed changes will not be discussed with the employee until a final decision has been reached. A copy of the written documentation shall be maintained on the Personnel Action Form.

F. COMPENSATION OF SCHOOL EMPLOYEES - The salary of school employees are determined by the principal and the regional director and must be approved by the regional director and are subject to the availability of funds in the current Board approved budget. Initial salary placement is determined as follows:

1. Staff is paid an hourly rate or a salary that is commensurate with their education, experience and the requirements of the position.
2. The salary ranges for starting teachers, counselors and other members of the instructional and professional staff shall be set taking into account work experience, professional preparation, geographic location of the school, and position requirements. The ranges approved for FY 2010 are shown in Exhibit B.
3. The minimum starting salary for the paraprofessional staff and other non instructional staff shall be set taking into account work experience, professional preparation, geographic location of the school, and position requirements. The ranges approved for FY 2010 are shown in Exhibit B.
4. Employees participating in the Teacher Leader Fellow Program¹ will be paid a stipend of \$5,000 in addition to their annual salary. The stipend will be paid semi-annually ratably over the year.
5. A new employee may be awarded a signing bonus not to exceed \$750 subject to the approval of the school principal and regional director. Seventy percent (70%) of the bonus shall be paid in the employee's first paycheck and the balance shall be paid at the end of the school year. The employee must still be employed on the last day of the school year to be paid the balance of the amount owed. Hiring bonuses are subject to the availability of funds in the approved school budget and may only be awarded for positions that require an additional incentive to fill with a qualified candidate. Hiring Managers shall make such decisions based only on this criterion. No personal factors shall be considered.
6. Health and dental benefits and life insurance will be offered to employees who work full time as defined in the Personnel Handbook. Retirement plan membership is governed by the terms of the plan.
7. Compensation for returning staff will be determined as follows:
 - a. All staff will receive a general salary increase if approved by the local Board of Trustees as part of the annual budget.
 - b. Highly Qualified Teachers (HQT) who receive an advanced proficiency or exemplary rating as determined through the annual review may receive an additional salary adjustment subject to the amount approved for such purposes in the annual budget.

¹ The Teacher Leader Fellow (TLF) program is a two year program whose purpose is to create and implement a school leader training program that develops high quality, sustaining LHA school leaders. See LHA's TLF program policy and procedures for eligibility and other criteria.

- c. Returning HQT may also be paid a retention bonus if approved as part of the budget.

G. BONUSES AND OTHER ADDITIONAL COMPENSATION

SCHOOL EMPLOYEES

A core belief at Lighthouse Academies, Inc. (LHA) is that superior performance should be rewarded. There are several ways staff can earn performance bonuses. Bonuses that are earned in a school year will be paid in the fall of the following year when student assessment results applicable to the bonus policy are available and analyzed.

- 1) Principals, Directors of Instruction and Highly Qualified Teachers (HQT²), including classroom teachers, specialists, Title I math and reading teachers, and special education teachers.
 - a) **Group Bonuses** will be based on the school meeting the following goals:
 - i) State Assessment: \$1,000 to each principal, director of instruction and HQT when the school makes Adequate Yearly Progress³ (AYP).
 - ii) NWEA National Normative Assessment: \$150 to each principal, director of instruction and HQT when 70% or more of the students enrolled at the school for the entire year meet or exceed their fall to spring RIT point growth norm targets established by NWEA in both reading and math.⁴
 - b) **Individual Performance Bonuses** will be based on two measures:
 - i) Annual Performance Review: Teacher Performance Standards & Rubric⁵
 - (1) HQT who has an average score of 3.6 – 4.0 (Exemplary) for the six Teacher Performance Standards will qualify for the maximum bonus of \$500.
 - (2) HQT who has an average score of 3.0 – 3.5 (Advanced Proficient) for the six Teacher Performance Standards will qualify for the maximum bonus of \$250.
 - ii) NWEA National Normative Assessment: \$200 to each HQT when 70% or more of the students enrolled in his/her classroom for the entire year meet or exceed their fall to spring RIT point growth norm targets established by NWEA in both reading and math
- 2) All other school-based employees, including administrative staff, non-HQT teachers⁶, instructional paraprofessionals, teaching assistants, support staff (e.g. counselors, food, transportation, custodial)
 - a) Group Bonuses – payments to all school-based employees in this section will be based on the school meeting the following goals:
 - i) \$200 to each employee when the school makes Adequate Yearly Progress (AYP).

² The federal definition of a "highly qualified teacher" (HQT) in a core academic subject is one who holds at least a bachelor's degree, is appropriately licensed for the assignment and demonstrates subject matter competence (i.e., content knowledge) in the core academic subject(s) she/he teaches. Each school's state licensure and content knowledge requirements are applicable. For purposes of this policy licensure also includes transition to teaching, alternative educator, out-of-state licenses, and/or pass the appropriate test to teach.

³ Making AYP includes all targets and reaching AYP through safe harbor.

⁴ This goal may be modified should updated norm data become available and/or the measure of annual growth be changed.

⁵ If a teacher receives a rating of "1" (novice) for any of the 22 substandard categories in the Teacher Performance Standards Rubric, he/she is NOT eligible for an Annual Performance Review Bonus.

⁶ Non-HQT are teachers who are allowed to teach under state charter law.

- ii) \$100 to each employee when 70% or more of the students enrolled at the school for the entire year meet or exceed their fall to spring RIT point growth norm targets established by NWEA in both reading and math.
- 3) Other compensation: Schools may offer additional compensation within the approved budgets subject to the approval of the Regional Director and Vice President.

CORPORATE EMPLOYEES AND SCHOOL LEADERSHIP

1. Corporate employees, regional directors, principals and directors of instruction participate in a group bonus paid from the corporate and school budgets. The Lighthouse Board will determine the corporate employees' group bonus allocation as part of the annual corporate budget.
 - a) Proposed changes in corporate compensation and the award of bonuses will be based upon the annual performance review.⁷
 - b) A corporate employee who receives a superior annual evaluation as defined in the LHA Board's approved personnel evaluation policy may receive a bonus for such an evaluation of up to five (5) percent of the employee's base salary.⁸
 - c) Group Compensation Fund:
 - o The LHA Board may create and, subject to resources, fund a Group Compensation Fund to award additional compensation for the achievement of school wide goals as stated in the approved charter.
 - o Each member of the corporate staff, regional directors, principals and directors of instruction who worked for at least 150 full days in the school year, is entitled to one full share. Other shares will be prorated based on hours worked in a week or during the year.
 - o Payments will be made from the group compensation fund based on achievement of the approved network goals.

2009-2010 Network Goals ⁹	Total	Share ¹⁰
State Assessments: All LHA schools make Adequate Yearly Progress (AYP).	\$40,000	Funds available/eligible participants =
State Assessments: 80% -99% of LHA schools make Adequate Yearly Progress (AYP).	\$32,000	share. Example 40,000/40 = 1000/ share

⁷ A new policy using a 360 review will be developed by January 2010 for use in June 2010 reviews.

⁸ A new policy using a 360 review will be developed by January 2010 for use in June 2010 reviews.

⁹ Principals and Directors of Instructions are only eligible for the group compensation fund AYP bonus if their school makes AYP. They are eligible for the NWEA bonus if their school meets the NWEA target. Regional directors receive a percentage of the bonus equal to the percentage of their schools that make AYP and that meet NWEA targets.

¹⁰ All corporate employees, regional directors, principals and directors of instruction are eligible for shares. There are an estimated 40 people in the pool. Principals and DOI payments are charged to the school budget.

<p>NWEA National Normative Assessment - For students that have been at the school for three full years or more, the number of students at or beyond the national median percentile in reading and math will increase by at least 10 percent of the grade level cohort each year.¹¹</p>	<p>\$10,000</p>	<p>Funds available/eligible participants = share. Example 40,000/40 = 1000/ share</p>
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H. PAYOUTS OF SCHOOL AND CORPORATE BONUSES

1. Service Days: So that staff hired during the school year will benefit, the following service days are set:
 - a. Each staff member who has been employed at least 150 days of the fiscal year and is employed at the end of the school year will receive one full share of payments from the fund if they meet the set criteria.
 - b. Each staff member who has been employed at least 100 days of the fiscal year, and is employed at the end of the school year, will receive one-half share.
 - c. Any staff member who has been employed at least 50 days of the fiscal year, and is employed at the end of the school year, will receive one-quarter share.


A 10-month employee will be eligible to participate in the bonus pool only if he or she has not taken more than the annually allotted number of sick days and PTO days during the school year, approved holidays excepted, unless the additional days absent were supported by a note from a physician stating that the employee was unable to work on the additional days or was on leave approved by their supervisor.

2. Returning Staff
 - a. Returning staff: Staff returning to school the following school year will be paid their full share of the individual proficiency and group bonuses earned.
 - b. Staff not asked to return: Staff not asked to return the following school year will not be eligible for the group or individual bonus.
 - c. Staff not returning for other reasons: Staff employed at the end of the school year and who would have been invited to return the following school year, but who otherwise decline to return, will receive 50% of the individual proficiency and group bonuses earned. Staff members who leave at the end of the school year to work for a competitive charter, district or private school in the region will not be eligible for the bonuses.
3. Timing of Bonus Payments:
 - a. School based bonuses: The payments of the bonuses will be made with the second pay period in September. payroll following the school year contingent upon the availability and analysis of state assessment results.

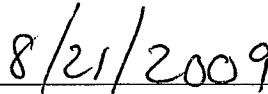
¹¹ This is currently measured through NWEA MAP tests. This 10% increase is in effect until a cohort reaches at least 80% at or beyond the national median percentile. A cohort must contain 10 or more students to be statistically reliable for the purposes of this measure and indicates students who enter school at the same grade.

- b. Corporate-based bonuses: Payments will be made by the later of 30 days after the last day of the fiscal year, within 30 days of the LHA Board's vote, or 15 days upon completion of data results applicable to the bonus calculation.

Authorized Approval



Michael B. Ronan, Chief Executive Officer
Lighthouse Academies, Inc



Date

Exhibit A: Network Goals

- 1) **College Acceptance:** 100% of 12th grade students will be accepted to at least one four-year college.
- 2) **College Success:** Less than 15% of high school graduates attending college are enrolled in remedial courses in English or math in the first semester of their freshman year.
- 3) **High School Graduation**¹²: More than 80% of students enrolled in a Lighthouse Academy in 9th grade will graduate within five full years.
- 4) **State Proficiency**¹³ - **School Target:** All LHA schools will make AYP.
- 5) **State Proficiency - Cohort Target:** 75% or more of students who enter a LHA schools no later than count day in grade 4 and have been in a LHA school for at least three full years will score “proficient/passing” or higher on their state-specific assessments.¹⁴
- 6) **Academic Skills & Knowledge:** For students that have been at the school for three full years or more, the number of students at or beyond the national median percentile in reading and math will increase by at least 10 percent of the grade level cohort each year.
- 7) **Arts Infusion as a Lever for Student Engagement:** All schools receive an average score of 3 or better (1-4 scale) on the student satisfaction survey for the arts infusion and student engagement sections.
- 8) **Family Engagement:** All families will participate in at least three of four parent conferences.
- 9) **Attendance:** The average daily attendance will be at least 95%.
- 10) **Student Reenrollment:** 95% of K-11 students enrolled on count day will remain enrolled on the following year’s count day with this exception; 75% of 8th grade graduates will reenroll in the College Prep Academy.

¹² The LHA graduation rate will be calculated in accordance with the new Title I definition for the *extended-year adjusted cohort graduation rate*. A definition can be found at <http://www.ed.gov/print/policy/elsec/reg/proposal/uniform-grad-rate.html>.

¹³ Currently, science and social studies state assessments are not administered at each grade level, and science and social studies results are not a part of AYP determinations under the No Child Left Behind Act. Goal 4 will include science and social studies if/when federal law includes these subjects in AYP determinations. Goal 5 will be enacted in 2010-2011 in advance of anticipated NCLB requirements. Goal 6 will be enacted for social studies and science if/when social studies and science tests are administered in the 8th grade.

¹⁴ This target applies to cohorts of students who join an LHA school at any point during 4th grade or earlier.

Southern Region: Teachers					
School	Years Teaching	BA	MA	PhD	National Board Certification
Jacksonville LCS	0-3 Years	\$30,000 - \$32,000	Add \$2,000	Add \$2,000	Add \$5,000
	4-8 Years	\$32,000 - \$36,000			
	9 or More Years	\$36,000 - \$38,000			

Southern Region: Office Managers				
School	Years Teaching	High School Diploma	Associates Degree	BA
Jacksonville LCS	0-3 Years	\$18,000 - \$20,000	Add \$2,000	Add \$8,000
	4-8 Years	\$20,000 - \$22,000		
	9 or More Years	\$22,000 - \$24,000		

Southern Region: Business Managers				
School	Years Teaching	High School Diploma	Associates Degree	BA
Jacksonville LCS	0-3 Years	\$26,000 - \$28,000	Add \$6,000	Add \$12,000
	4-8 Years	\$28,000 - \$30,000		
	9 or More Years	\$30,000 - \$32,000		

Southern Region: Paraprofessionals			
School	Years of Experience	HQ No BA	HQ with BA
Jacksonville LCS	0-3 Years	\$18,000 - \$20,000	\$20,000 - \$22,000
	4-8 Years	\$20,000 - \$22,000	\$22,000 - \$24,000
	9 or More Years	\$22,000 - \$24,000	\$24,000 - \$26,000

Southern Region: Food Services & Custodial				
School	Position	High School Diploma	Associates Degree	BA
Jacksonville LCS	Cafeteria Manager	\$11/Hour	\$13/Hour	\$15/Hour
	Food Service Worker	\$9/Hour	\$10/Hour	\$12/Hour
	Director of Maintenance	\$12/Hour	\$16/Hour	\$18/Hour
	Custodian	\$10/Hour	\$12/Hour	\$14/Hour