

CONFUCIUS INSTITUTE AND CONFUCIUS CLASSROOM PROGRAM PARTICIPATION AGREEMENT

Parties:

(PRC) Hanban/Confucius Institute Headquarters (“Hanban”)

(United States of America) College Board (the “College Board”)

(United States of America) Houston Independent School District (HISD)

Overview

This Confucius Institute and Confucius Classroom Program (“Program”) is intended to support the sustainable development of the K-12 Chinese language teaching programs of all Program-participating schools and school districts. The guiding idea of the Program is that exposing her/himself to multilingual and multicultural education constitutes an important element conducive to a student’s academic and career success.

Therefore, Hanban/Confucius Institute Headquarters (“Hanban”), being the owner of the Confucius Institute and Confucius Classroom Program, has designated the College Board to facilitate the operation of the Program for HISD. HISD will establish a Confucius Institute or Confucius Classrooms. This Program will be implemented by HISD and monitored by the College Board under Hanban’s guidance and supervision.

HISD shall implement and operate the Confucius Classrooms/Institutes in accordance with the Constitution and Bylaws of the Confucius institute as set forth in attachment A, incorporated hereto.

1. Name of the Program

HISD is hereby approved by Hanban to establish a Confucius Institute, or, where applicable, HISD is hereby approved to establish a Confucius Classroom. Such Confucius Institute/Confucius Classroom shall be established for educational non-profit purposes.

2. Scope of Business

Pursuant to the Constitution and Bylaws of Confucius Institutes and in light of local actual conditions, a Confucius Institute/Confucius Classroom may engage in any of the following:

- (i) to conduct the teaching of Chinese language and provide Chinese language teaching resources;
- (ii) to train Chinese language teachers;
- (iii) to administer HSK Examinations and Chinese Language Teachers Certification Examinations;
- (iv) to provide information and advisory concerning Chinese education, culture, etc;
- (v) to conduct language and cultural exchange activities; and
- (vi) other activities authorized or entrusted by Hanban.

3. Rights and Obligations of the Parties

A. Hanban

Hanban authorizes the HISD to conduct Confucius Institute and Confucius Classroom activities in accordance with this Agreement. Hanban will provide support and funding for the Confucius Institute and Confucius Classroom Program and will supervise and evaluate the implementation and the results of the Program. Specifically:

(i) Hanban will grant HISD a right to use the name and logo of the Confucius Institute. Upon termination of this Agreement, the HISD shall not in whatsoever manner continue to use, either directly or indirectly, or transfer, the name and logo of the Confucius Institute.

(ii) Hanban will, on the basis of the needs, provide for various textbooks, courseware and books and will grant HISD a right to use online Confucius Institute courses. Initially, Hanban will provide the Confucius Institute with 3000 items of Chinese books, textbooks and audio-video materials and will provide the Confucius Classroom with 1000 items of Chinese books, textbooks and audio-video materials, respectively.

(iii) Hanban will provide the HISD with start-up funding in the amount of USD 150,000 for a Confucius Institute and will provide the HISD with start-up funding in the amount of USD 10,000 for a Confucius Classroom and teaching and culture experiencing devices, respectively.

(iv) If needed, HISD shall apply to Hanban for funding each subsequent year to continue the Confucius Classroom or Confucius Institute to pay for annual

Program expenses. The start-up funding and the annual Program funding (collectively referred to as "Grant Funds") will be allocated and paid by Hanban directly to the HISDs for the Confucius Institute and the Confucius Classroom.

(v) If requested by HISD, Hanban will, in light of the teaching needs, select and dispatch a certain number of guest teachers to teach at HISD and will bear their international travel expenses, salaries, etc under a separate agreement.

(vi) Hanban will provide program support to the Confucius Institute and the Confucius Classroom in the form of China Bridge Summer Camp, scholarship, etc.

(vii) All of the aforementioned funding shall be collectively referred to as "Grant Funds".

(viii) Hanban has sole discretion and authority or control over funding decisions.

B. The College Board

The College Board will: monitor the progress of the Confucius Institutes and Classrooms and implementation of Program activities; provide information to HISD to enhance the Confucius Institute(s) and the Confucius Classroom(s) as to their conduct of activities; and will submit Program reports to Hanban. Specifically:

(i) Facilitate Confucius Institutes and Classrooms' activities by organizing the College Board-Hanban delegation trips to China for US educators and make educator training and development and Chinese teaching seminars available for Confucius Institutes and Classrooms.

(ii) The College Board will assist HISD in preparing annual Program plans for Confucius Institute(s) and the Confucius Classroom(s) and will centrally submit the same to Hanban.

(iii) If needed by HISD, The College Board will make the College Board-Hanban Chinese guest teacher program available for HISD to participate and, in this capacity, will facilitate placement of visiting teacher(s) from China at HISD under a separate agreement.

(iv) The College Board will conduct site visits to inspect and evaluate the HISD's operation of the Confucius Institute(s) and the Confucius Classroom(s) and will submit an annual inspection report to Hanban.

(v) The College Board will provide a point person for regular communication with Hanban and all Confucius Institutes and Classrooms, providing consulting and guidance on the Program.

C. HISD

HISD will be responsible for the day-to-day operation and management of the Confucius Institute and the Confucius Classroom. Specifically:

(i) It will provide for the Confucius Institute or the Confucius Classroom fixed office spaces and appropriate teaching premises and other activity premises, will equip such spaces and premises with necessary office and teaching facilities and will be responsible for their installation, management and maintenance.

(ii) It will provide necessary administrative personnel (either part-time or full-time) for the Confucius Institute or the Confucius Classroom and will provide for relevant costs.

(iii) It will, if it requests a visiting teacher from China, provide necessary working conditions and compensation, which shall be the subject of a separate contract between HISD and Hanban/the College Board.

(iv) It will provide Hanban banking information for an account that can accommodate the receipt of an international wire transfer.

(v) It will, each fiscal year, equally match the Grant Funds provided by Hanban as set forth in section 3A of this Agreement for Program expenses, provided that each fiscal year there are sufficient funds budgeted by the HISD Board of Trustees to do so.

4. Expenses Management

The grant Funds for Program expenses must be reasonably used in accordance with the Program budget prepared by HISD and approved by Hanban. The Grant Funds for Program expenses shall neither be used to pay for the salaries or other subsidies of the staff, including teachers, administrative and office staff, nor be used to pay to HISD as surplus funds.

HISD will track Grant Funds in a separately identifiable account within HISD's financial system, and HISD will account for its costs of Program performance in accordance with its established cost accounting policies and procedures, consistent with this Program Participation Agreement. Unless otherwise agreed in writing, the Grant Funds constitutes the full and complete amount payable by Hanban to support the Program.

5. Program Report and Evaluation

A. HISD will submit Program reports twice a year in the form provided by the College Board as follows: (1) an interim Program report by December 31 of each

academic year; and (2) a summary Program report by June 30 of each academic year. The College Board shall submit such reports to Hanban after compilation and summarization thereof, and accept the guidance of Hanban.

B. The representatives of Hanban and the College Board shall have the right to conduct site investigation of the Program with prior notice to HISD, and shall have the right to observe classroom teaching, and review and copy the books, documents, records, letters, plans and invoices relating to Program teaching. Except that, to the extent that Hanban and the College Board will come into possession of student records and information, and to the extent that Hanban and the College Board will be involved in the survey, analysis, or evaluation of students, incidental to this Agreement, Hanban and the College Board agree to comply with all applicable requirements of the Family Educational Rights and Privacy Act.

HISD must keep an accurate record of all expenses incurred. It shall be warranted that all receipts and table of contents shall be kept for at least three years after the end of each academic year, or the maximum amount of time allowed pursuant to the record retention laws of the State of Texas. Hanban and the College Board shall have the right to review all receipts and records. In the event that any expense is deemed by Hanban to be unreasonable, Hanban/the College Board shall notify HISD in writing of the expense(s) in question, and if, after a prompt HISD audit of the matter, HISD determines that the expense is unreasonable, Hanban will be reimbursed the relevant expense(s).

6. Public Relations and Use of Name

If any news media or other public relation organization requests to conduct an interview related to the Program, HISD shall immediately notify the College Board and Hanban, and all parties will communicate with each other with respect to such interview.

If HISD intends to publish any public relation material with respect to this Program, it shall obtain prior consent from the College Board and Hanban. Without prior written consent, HISD shall not publish any public advertising material with respect to the Program.

Except as otherwise permitted by the foregoing sections, HISD shall not use the name or logo of the College Board or Hanban in any press release or product advertising, or for any other promotional purpose, without first obtaining the written consent of the College Board and/or Hanban, respectively.

7. Term of Agreement

This Agreement shall become effective on the date on which it has been signed by the parties, with a term of three (3) years. In the event that any party does not intend to extend the term of this Agreement, it shall give written notice to the other parties ninety (90) days prior to the end of the term, otherwise, the term of this Agreement shall automatically be extended for three (3) years.

8. Termination

Upon the occurrence of any of the following, this Agreement shall be terminated:

(i) If any party hereto requests to terminate this Agreement, and gives at least six (6) months prior written notice to the other parties.

(ii) If any party has taken any action that could have a material adverse effect on any other party's reputation or image.

(iii) If this Agreement cannot be performed as a result of any force majeure event.

(iv) If Hanban fails to furnish Grant Funds and resources as indicated in Section 3.

(v) If the College Board and Hanban terminate their relationship, which would include no longer furnishing the Chinese bridge delegation and/or the Chinese guest teacher program.

The termination of this Agreement shall not affect any separate agreement, contract or program of the parties that is being implemented. Upon termination of this Agreement, HISD shall make proper arrangements for the Confucius Institute and Confucius Classroom students as well as the relevant work.

9. Miscellaneous

A. Disclaimer and Indemnification: To the extent permitted by law, HISD, the College Board and Hanban shall hereby mutually hold each other harmless, and mutually hold harmless their past and present and future trustees, officers and employees, and shall mutually indemnify all such parties and individuals against any and all claims, demands, and causes of action of whatever kind or nature asserted by any third party, occurring or in any way incident to, arising out of, or in connection with any acts of HISD, the College Board and

Hanban, and their agents, employees, and subcontractors done in connection with this Agreement.

Nothing in this Agreement shall be construed to create a claim or cause of action against HISD for which it is not otherwise liable, nor to waive any immunity or defense to which HISD may be entitled nor to create an impermissible deficiency debt of HISD.

B. Force Majeure: In the event of any failure by any party to perform its obligations as a result of any force majeure event, no party shall be liable for any legal responsibility. The party affected shall use its best efforts to notify the other parties of the relevant situation of such force majeure event. If no written notice can be given due to emergent situation, written material shall be provided as soon as practicable. A force majeure event shall mean any action, event or emergent situation which has caused any failure by any party to perform its duties, excluding any event resulting from the financial condition or improper operation of such party.

C. Dispute Resolution: The parties hereto shall endeavor to resolve any dispute in connection with the Program. If no dispute can be resolved through proper coordination, the parties shall designate top level executives to resolve such dispute through negotiation within thirty (30) days. If it cannot be resolved within 30 days, an action may be brought in any court of competent jurisdiction.

D. Complete Understanding/Additional Provision: This Agreement shall constitute the complete understanding of HISD, Hanban and the College Board and may not be modified/amended in any manner without the express written consent of both parties.

E. No Third Party Beneficiary: This Agreement shall not inure to the benefit of any third party.

F. Nature of Relationship: HISD shall be an independent contractor of this Program. This Agreement does not acknowledge any cooperative, joint venture or agent relationship between the College Board, Hanban and HISD. HISD shall not enter into any agreement with any third party involving the College Board or Hanban.

G. Designation and Sub-contraction: Hanban and the College Board may not, without the consent of HISD, transfer or subcontract their obligations and rights to any agency of Hanban and the College Board or any third party. Without the prior written consent of Hanban and the College Board, HISD shall not transfer or subcontract its obligations and rights to any third party.

H. Confidentiality: To the extent permitted by law, the parties hereto shall treat this Agreement as confidential. Without the written consent of the other parties, no party shall announce, disclose or divulge, or permit any other person to announce, disclose or divulge, any material or information received or obtained in connection with a party hereto, except as necessary for the performance by a party hereto of its obligations hereunder or to the extent required by law.

I. Execution: This Agreement is composed of the main text and exhibit attached hereto. This Agreement shall be executed in six (6) counterparts in Chinese and English. The Agreement, in both languages, shall have the same effectiveness. Each party represents and warrants that this Agreement has been duly authorized and delivered by each party to the other Party and constitutes a

valid and legally binding obligation of each party, enforceable against it in accordance with its terms.

J. No waiver of immunity: HISD does not waive or relinquish any immunity or defense on behalf of itself, its trustees, officers, employees, and agents as a result of its execution of this Agreement and performance of the functions or obligations described herein.

K. No waiver: No waiver of a breach of any provision of this Agreement shall be construed to be a waiver of any breach of any other provision. No delay in acting with regard to any breach of any provision shall be construed to be a waiver of such breach.

L. Notice: Any notice required to be given under the provisions of this Contract shall be in writing and shall be duly served when it shall be hand-delivered to the addressees set out below, or shall have been deposited, duly registered or certified, return receipt requested, in a United States Post Office addressed to the other party at the following addresses:

To: College Board
Attn: Bob Davis
Executive Director
Chinese Language and Culture Initiatives
The College Board Midwestern Regional Office
8700 West Bryn Mawr Ave, Ste 900N
Chicago, IL 60631

With a copy to:
Legal Department
The College Board
45 Columbus Ave.
New York, New York
Tel: (212) 713-8000

Fax: (212)713-8036

To: Houston Independent HISD District
Attn: Terry B. Grier, Ed.D.
Superintendent of HISDs
4400 West 18th Street
Houston, Texas 77092

Any party may designate a different address by giving the other party ten (10) days prior written notice in the manner provided above.

M. Section Headings: The headings of sections contained in this Agreement are for convenience only, and they shall not, expressly or by implication, limit, define, extend, or construe the terms or provisions of the sections of this Agreement.

N. Criminal History Background Check: The College Board and Hanban agree to provide assurance that all their employees, subcontractors and volunteers who have contact with students have passed a criminal history background check current within the last year, as more specifically set forth in attachment "B", incorporated hereto.

O. Texas Public Information Act: In the event that HISD is required to furnish information or records pursuant to the Texas Public Information Act, the College Board and Hanban shall furnish all such information and records to HISD and HISD shall have the right to release such information and records.

P. Business Ethics: During the course of pursuing/negotiating this Agreement, and during the term of this Agreement, Hanban/the College Board will maintain business ethics standards aimed at avoiding real or apparent impropriety or conflicts of interest. No substantial gifts, entertainment, payments, loans or other considerations beyond that which would be collectively categorized as

incidental shall be made to any employees or officials of HISD, its authorized agents and representatives, or to family members of any of them. At any time Hanban/the College Board believes there may have been a violation of this obligation, Hanban/the College Board shall notify HISD of the possible violation. HISD is entitled to request a representation letter from Hanban/the College Board, its subcontractors or vendors at any time to disclose all things of value passing from Hanban/the College Board, its subcontractors or vendors to HISD's personnel or its authorized agents and representatives.

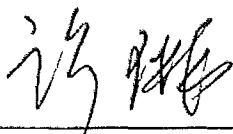
Q. Confidential and Proprietary Information: The parties may provide technical information, documentation and expertise to each other that is either (1) marked as being confidential or, (2) if delivered in oral form is summarized in writing within 10 working days and identified as being confidential ("Confidential Information"). The receiving party shall for a period of five (5) years from the date of disclosure (i) hold the disclosing party's Confidential Information in strict confidence, and (ii), except as previously authorized in writing by the disclosing party, not publish or disclose the disclosing party's Confidential Information to anyone other than the receiving party's employees on a need-to-know basis, and (iii) use the disclosing party's Confidential Information solely for performance of this Contract. The foregoing requirement shall not apply to any portion of a party's Confidential Information which (a) becomes publicly known through no wrongful act or omission on the part of the receiving party; (b) is already known to the receiving party at the time of the disclosure without similar nondisclosure obligations; (c) is rightfully received by the receiving party from a third party without similar nondisclosure obligations; (d) is approved for release by written

authorization of the disclosing party; (e) is clearly demonstrated by the receiving party to have been independently developed by the receiving party without access to the disclosing party's Confidential Information; or (f) is required to be disclosed by order of a court or governmental body or by applicable law, provided that the party intending to make such required disclosure shall promptly notify the other party of such intended disclosure in order to allow such party to seek a protective order or other remedy.


R. Debarment and Suspensions: The College Board and Hanban certify, to the best of their knowledge and belief, that they are not presently debarred, suspended for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

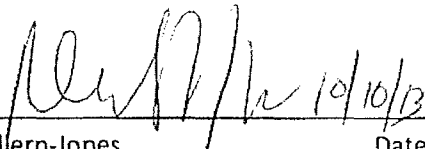
IN WITNESS THEREOF, HISD, the College Board and Hanban have executed this Agreement effective on this _____ day of _____.

CONFUCIOUS INSTITUTE HEADQUARTERS
(HANBAN)

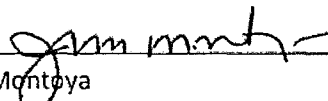
By: 
Xu Lin
Chief Executive 2013.10.28 Date

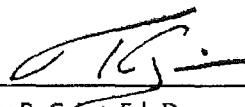
HOUSTON INDEPENDENT SCHOOL DISTRICT

By:  10/10/13 Date
Anna Eastman
Board President

By:  10/10/13 Date
Rhonda Skillern-Jones
Board Secretary

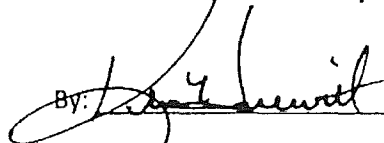
THE COLLEGE BOARD

By:  10/15/13 Date
Jim Montoya
Senior Vice President

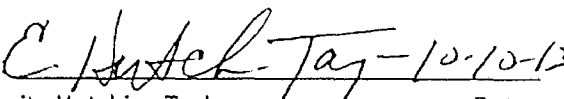
By:  10/10/13 Date
Terry B. Grier, Ed. D.
Superintendent of Schools

Taxpayer Identification Number

APPROVED AS TO FUNDING/BUSINESS TERMS

By:  10/10/13 Date
Ken Hueyitt
Chief Financial Officer

APPROVED AS TO FORM:

By:  10-10-13 Date
Elneita Hutchins-Taylor
General Counsel

12538

ATTACHMENT A

Constitution and By-Laws of the Confucius Institutes

Chapter 1: General Principles

Chapter 2: Business Service

Chapter 3: The Headquarters

Chapter 4: Establishment

Chapter 5: Funds

Chapter 6: Administration

Chapter 7: Rights and Obligations

Chapter 8: Supplement

• **Chapter 1: General Principles**

1. Confucius Institutes devote themselves to satisfying the demands of people from different countries and regions in the world who learn the Chinese language, to enhancing understanding of the Chinese language and culture by these peoples, to strengthening educational and cultural exchange and cooperation between China and other countries, to deepening friendly relationships with other nations, to promoting the development of multi-culturalism, and to construct a harmonious world.

2. This Constitution and By-Laws is applicable to all Confucius Institutes worldwide.

3. In any other language, the name chosen to represent the Confucius Institutes must be equivalent in connotation and meaning to that of the head institute in Chinese.

4. The Confucius Institutes are non-profit educational institutions.

5. Adhering to the principles of mutual respect, friendly negotiations, and mutual benefit, the Confucius Institutes shall develop and facilitate the teaching of the Chinese language overseas and promote educational and cultural exchange and cooperation between China and other international communities.

6. The Confucius Institutes shall abide by the laws and regulations of the countries in which they are located, respect local cultural and educational traditions and social customs, and they shall not contravene the laws and regulations of China.

7. The Confucius Institutes shall not involve or participate in any activities that are not consistent with the missions of Confucius Institutes.

8. A Confucius Institute can be established in various ways, with the flexibility to respond to the specific circumstances and requirements found in different countries.

9. Any corporate entity outside of China capable of facilitating language instruction, conducting educational and cultural exchange activities, and meeting the requirements for application as stated in this Constitution and By-Laws may apply to the Confucius Institute Headquarters for the permission to establish a Confucius Institute.

10. The Confucius Institutes conduct Chinese language instructions in Mandarin, using Standard Chinese Characters.

Chapter 2: Business Service

11. The Confucius Institutes shall provide the following services:

a. Chinese language teaching;

b. Training Chinese language instructors and providing Chinese language teaching resources;

- c. Holding the HSK examination (Chinese Proficiency Test) and tests for the Certification of the Chinese Language Teachers;
- d. Providing information and consultative services concerning China's education, culture, and so forth;
- e. Conducting language and cultural exchange activities between China and other countries.

Chapter 3: The Headquarters

12. The Confucius Institute Headquarters is a non-profit organization that has the independent status of a corporate body. It owns the proprietorship of the name, logo and brand of the Confucius Institutes. The Headquarters is the regulatory body that provides guidelines to the Confucius Institutes worldwide. The Headquarters is located in Beijing in the People's Republic of China.

13. The Confucius Institute Headquarters shall be governed by the Council. The Council shall consist of the Chair, the Vice Chairs, the Executive Council Members, and the Council Members. Candidates for the Chair, several Vice Chairs and the Executive Council Members shall be recommended by the education administrative agency of the Chinese State Council and approved by the State Council. Among the fifteen Council Members, ten shall be the Heads of the Board of Directors of Confucius Institutes overseas. These ten members of the First Council are appointed by the Headquarters, while members of following Councils shall be elected or rotate service on the basis of the founding dates of Confucius Institutes. The other five Council Members shall be representatives of Chinese partner institutions, appointed directly by the Headquarters. The term of service of Council Members is two years. They can pursue reappointment for one term.

During their tenure of office, Council Members shall not receive any payment from the Confucius Institute Headquarters. The Council shall establish positions of the Chief Executive and Deputy Chief Executives. The Chief Executive, who shall also be an Executive Council Member, is the legal representative of the Headquarters.

14. The duties of the Council include: Formulating and amending the Constitution and By-Laws of the Confucius Institutes, examining and approving the development strategies and plans of global Confucius Institutes, examining and approving annual reports and working plans of the Headquarters, and discussing issues of significance concerning the development of Confucius Institutes.

15. The Council shall assemble once a year, called by the Chair. When needed, the Chair may decide to call for provisional Council Meetings or Executive Council Member Meetings.

16. Under the leadership of the Council, the Confucius Institute Headquarters carries out its own daily operations. The duties include:

- a. Formulating development plans, criteria for the establishment of Confucius Institutes, and assessment standards for the Confucius Institutes;
- b. Examining and approving applications for the establishment of new Confucius Institutes;
- c. Examining and approving the implementation plans of annual projects, annual budgetary items, and final financial accounts of individual Confucius Institutes;
- d. Providing guidelines and making assessments to activities carried out by Confucius Institutes, supervising their operations and doing quality assurance management;

- e. Providing support and teaching resources to individual Confucius Institutes;
- f. Selecting and appointing directors and faculties from the Chinese side for individual Confucius Institutes, and training administrative personnel and instructors for these Confucius Institutes;
- g. Organizing Confucius Institutes Conferences annually;
- h. Constituting regulations and institutions for the management of the Chinese funds.

17. The Headquarters shall establish Special Working Committees that can provide consultative suggestions to the Headquarters. Members of the Committees shall be appointed by the Headquarters.

18. The Headquarters shall invite well-known leaders and visionaries of both China and abroad to be Senior Consultants.

Chapter 4: Establishment

19. An application for the permission to establish a Confucius Institute must satisfactorily demonstrate the following:

- a. That the applicant is a legally registered organization or corporation at the place where it is located with resources to conduct teaching, educational and cultural exchanges, and public service;
- b. That there is a demand for learning the Chinese language and culture at the applicant's location;
- c. That the personnel, space, facilities, and equipments required for language and culture instructions are available;
- d. That the capital for the establishment is in place, and that the source of funds for operation is stable.

20. An applicant seeking permission to establish a Confucius Institute shall submit an application package to the Confucius Institute Headquarters. This package shall include:

- a. An application letter signed by the principal or president;
- b. An introduction of the applicant site, its registration certificate, and the principal or president;
- c. A floor plan for the required instructional space, and lists of the relevant equipment and facilities available for the proposed Confucius Institute;
- d. A projection of market demand, managerial structure, and operational plans for the proposed Confucius Institute;
- e. A statement detailing the source, regulation, and management of the funds for the proposed Confucius Institute;
- f. Other materials required by the Confucius Institute Headquarters.

21. The Confucius Institute Headquarters will assess the application package submitted by the applicant. The assessment may include verification of the document materials, debriefings and interviews, on-site verification, and consultation with experts.

22. Upon the approval of an application, the Confucius Institute Headquarters will sign an agreement with the applicant, thus conferring permission for the establishment of a Confucius Institute and providing that applicant with an official Confucius Institute Plaque.

Chapter 5: Funds

23. A newly established Confucius Institute will receive a set amount of funds provided by the Chinese Parties to initiate operations. The funds for its annual

projects shall be raised by individual Confucius Institutes and the Chinese Parties together in a ratio of approximately 1:1 commitment in general.

24. The aforementioned funds provided by the Chinese Parties will be managed through project management measures. Detailed measures are stipulated in Regulations for Administering the Chinese Funds for the Confucius Institutes.

Chapter 6: Administration

25. An individual Confucius Institute shall establish a Board of Directors. A Confucius Institute established under joint venture between Chinese and overseas partners shall form a Board of Directors consisting of members from both sides. The total number of members and the component ratio of the Board shall be determined through consultation.

26. The Board of Directors shall be responsible for assessing and approving the Confucius Institute's development plans, annual plans, annual reports, project implementation schemes, budget proposals, and final financial accounts. The Board shall also be responsible for appointing and dismissing Directors and Deputy Directors of the Confucius Institute.

Appointments and dismissals of Directors and Deputy Directors shall be put on records at the Headquarters. The appointments of Directors and Deputy Directors for joint venture Confucius Institutes shall be decided upon negotiations between the Chinese and overseas partners.

27. An individual Confucius Institute shall adopt a system in which the Director, under the leadership of the Board of Directors, shall assume the main responsibility for the Institute's daily operation and administration.

28. The Director of a Confucius Institute shall have in-depth comprehension of Chinese current national issues, a skillful command of the language of the country in which the Institute is located, suitable administrative experiences in this position, and a strong ability to promote public affiliation and market potential.

29. Instructors appointed by Confucius Institutes shall have professional knowledge and teaching competence required by such positions as teachers.

30. An individual Confucius Institute, in the allotted time, shall draw up executable plans for annual projects and budget proposals, summarizing the implemental efficacy reports of annual projects and final financial accounts, and submit them to the Headquarters for examination and approval. Changes and dispositions made to the assets on the Chinese side shall be reported to the Headquarters for examination and approval. Individual Confucius Institutes shall also submit the working schedules and summaries of their annual projects to the Headquarters for archiving purposes.

31. Confucius Institutes are not profit-making organizations; hence, income drawn from operation of the Institutes shall be used for teaching activities and improving teaching and service conditions. The accumulated income shall be utilized for sustainable development of the Institutes and may not be used for purposes otherwise.

32. The Confucius Institute Headquarters shall be responsible for conducting assessments of individual Confucius Institutes. The Headquarters reserves the right to terminate the Agreements with those Institutes that violate the principles or objectives, or fail to reach the teaching quality standards set forth by the head establishment.

33. The Confucius Institute Headquarters shall convene a Confucius Institute Conference annually to provide the opportunity for individual Institutes to exchange ideas and experiences, and to further study issues concerning the construction and development of the Institutes.

Chapter 7: Rights and Obligations

34. All Confucius Institutes shall enjoy the following rights:

- a. The rights set forth in the Agreement and this Constitution and By-Laws of the Confucius Institutes;
- b. The right to use the Name and Logo of the Confucius Institutes;
- c. The right of priority for obtaining teaching and cultural materials or resources provided by the Headquarters.

35. All Confucius Institutes shall observe the following obligations:

- a. The obligation to observe the measures and regulations set forth in the Agreement and this Constitution and By-Laws of the Confucius Institutes;
- b. The obligation to uphold and defend the reputation and image of the Confucius Institutes;
- c. The obligation to accept both supervision from and assessments made by the Headquarters.

36. The Confucius Institute Headquarters reserves the right to pursue legal action to affix responsibility and invoke punitive consequences on any person/party for any of the following conduct:

- a. The establishment of a Confucius Institute without permission or authorization from the Confucius Institute Headquarters;

- b. Any activity conducted under the name of the Confucius Institutes without permission or authorization from the Confucius Institute Headquarters;
- c. Any violation of the Agreement or this Constitution and By-Laws of the Confucius Institutes that causes losses of capital or assets or damages or tarnishes the reputation of the Confucius Institutes.

Chapter 8: Supplement

37. Individual Confucius Institutes may constitute their own regulations and measures in accordance with this Constitution and By-Laws and submit to the Headquarters for archiving purpose.

38. This Constitution and By-Laws of the Confucius Institutes shall be followed as guide for setting up and regulating Confucius Institute Classrooms.

39. The Confucius Institute Headquarters reserves the right to interpret this Constitution and By-Laws.

40. This Constitution and By-Laws shall go into effect from the date of approval set forth by the Council of the Confucius Institute Headquarters.

ATTACHMENT B

Pursuant to Sections 22.0834 and 22.085 of the Texas Education Code, the College Board and Hanban hereby certify that all employees, subcontractors and volunteers of College Board and Hanban who are hired by College Board and Hanban on or after January 1, 2008, and who have continuing duties related to the contracted services; and have or will have direct contact with students have passed a national criminal history background record information review as required by those sections.

College Board and Hanban shall send or ensure that the employee or applicant sends to the Texas Department of Public Safety ("DPS") information that is required by the DPS for obtaining national criminal history record information, which may include fingerprints and photographs. DPS shall obtain the person's national criminal history record information and report the results through the criminal history clearinghouse as provided by Section 411.0845, Government Code.

College Board and Hanban must also obtain certifications from all subcontractors that their employees to whom Section 22.0834 applies have also passed a national criminal history background record information review.

College Board and Hanban must also provide assurances that all of their employees, subcontractors and volunteers, including those hired before January 1, 2008, who have contact with students have passed a criminal history background check current within the last year. If an employee, subcontractor or volunteer of the College Board and Hanban has a criminal conviction or has received deferred

adjudication for a felony offense or a misdemeanor involving moral turpitude, the District may elect not to enter into this contract, or cancel the contract.

WARNING: Section 44.034 of the Texas Education Code requires that a person or business entity that enters into a contract with a school district must give advance notice to the district if the person or an owner or operator of the business entity has been convicted of a felony. The notice must include a general description of the conduct resulting in the conviction of a felony.

The district may terminate this contract if the district determines that the person or business entity failed to give notice as required by Section 44.034 (a) or misrepresented the conduct resulting in the conviction. The district will compensate the person or business entity for services performed before the termination of the contract.