

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the “Agreement”) is made and entered into as of the 1st day of July, 2017 by and between **edtec central, LLC**, a Michigan limited liability company (“edtec”) and the **Capstone Academy Charter School** (the “Academy”), a body corporate and strict discipline school academy organized under the Michigan Revised School Code, Act 451 of 1976, as amended (the “Code”).

WHEREAS, The Academy is a strict discipline academy located at 3500 John R. Street, Detroit, Michigan, 48201 and is authorized pursuant to a contract (the “Charter Contract”) issued by Detroit Public Schools Community District authorized officials (“DPSCD”); and

WHEREAS, The Academy operates under the direction of an Academy Board of Directors (the “Board”); and

WHEREAS, edtec is a Michigan limited liability company providing educational and managerial services to public school academies and strict discipline academies that has the ability to implement a comprehensive educational program and management methodologies for the Academy; and

WHEREAS, The Academy first engaged edtec to perform certain services related to the Academy’s educational program upon the Academy’s creation in 2012; and

WHEREAS, the Academy’s existing Charter Contract with DPSCD was for a term of five (5) years expiring June 30, 2017 and has been renewed for a period of five (5) years beginning July 1, 2017; and

WHEREAS, the Academy desires that edtec continue to perform those services as the Academy’s management company pursuant to this Agreement.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

ARTICLE I

CONTRACTUAL RELATIONSHIP

A. **Authority.** The Academy has been granted the Charter Contract by DPSCD to organize and operate a public strict discipline academy, together with the powers necessary or desirable for carrying out the educational program set forth in the Charter Contract. The Academy is authorized by the Code to contract with a private entity to provide educational management services, provided that the management agreement shall comply with the DPSCD Public School Academy Educational Service Providers Requirements (the ESP Requirements”).

B. **Contract.** Acting under and in the exercise of such authority, the Academy hereby contracts with edtec, for specified functions relating to the provision of educational services and the management and operation of the Academy.

C. **Status of the Parties.** edtec is a Michigan limited liability company, and is not a division or a part of the Academy. The Academy is a body corporate and governmental entity authorized by the Code, and is not a division or part of edtec. The relationship between edtec and the Academy is based solely on the terms of this Agreement. The parties to this Agreement intend that the relationship between them created by this Agreement is that of an independent contractor, and that, except as expressly set forth in paragraph D below, no employee of edtec shall be deemed to be an agent of the Academy. edtec is solely responsible for its acts and the acts of its agents, employees, and subcontractors. Employees of edtec, even those assigned to work exclusively at the Academy, are not employees of the Academy.

D. **Designation of Agents.** Agents and employees of edtec having a legitimate educational interest in student record information are hereby designated by the Board as agents of the Academy such that they are authorized access to educational records of the Academy's students under 20 U.S.C. § 1232g, the Family Educational Rights and Privacy Act ("FERPA"). "Legitimate educational interest" shall be defined as having a responsibility for helping the student achieve one (1) or more of the educational goals of the Academy or if the record is necessary in order for the employee to perform an administrative, supervisory or instructional task or to perform a service or benefit for the student or the student's family. Except as set forth in this paragraph D, no agent or employee of edtec shall be deemed to be an agent of the Academy.

ARTICLE II

TERM

A. **Term.** This Agreement shall become effective July 1, 2017 and shall cover the same length of time as the term of the Charter Contract between the Academy and DPSCD, ending on the same end date of that Charter Contract, and subject to a continued Charter Contract from DPSCD and continued state per capita funding.

B. **Renewal.** At the end of the Term, the Academy and edtec may extend the Agreement. This Agreement shall not extend beyond the term of the Charter Contract.

ARTICLE III

FUNCTIONS OF EDTEC

A. **Responsibility.** Under the direction of the Board, edtec shall be responsible for all of the management, operation, administration, and education at the Academy. Such functions include:

1. Implementation and administration of the educational program;
2. Curriculum improvement services;
3. Student environment management and parent outreach, in cooperation with Detroit Behavioral Institute ("DBI") and according to their policies and rules;
4. Pupil accounting;

5. Budget preparation, including preparing the annual budget as set forth in this Article, Paragraph O and amended budgets throughout the year, as necessary, and financial management services, as defined in this Agreement;
6. Financial services including accounting, bookkeeping services, accounts payable, and accounts receivable;
7. Acquisition of instructional and non-instructional material, equipment and supplies and the maintenance of an inventory system of all equipment;
8. Selection, employment, and supervision of all teachers and staff and the personnel management services (recordkeeping, wage and benefits administration, training, and technical assistance) necessary to support those employees;
9. Supervision of the school support services programs including food service and facilities maintenance;
10. Preparation of required DPSCD, local, state, and federal reports with prior review by the Board;
11. Information and technology system development and management;
12. Preparation of applications for grants and special programs as requested by the Board;
13. Processing funding applications for special programs and facility improvements as requested by the Board;
14. Cooperation with DBI in DBI's operation of the school building and DBI's supervision of any installation of technology integral to school design;
15. Administration of extra-curricular and co-curricular activities and programs;
16. Preparation of processes and procedures governing operations of the Academy as approved by the Board;
17. Provide special education services to students who attend the Academy in conformity with the requirements of applicable law, regulations and Board policies;
18. Participation in strategic planning with the board for the continuing educational and financial benefit of the Academy;
19. Implementation and enforcement of student codes of conduct including policies and procedures in place by DBI;

20. Any other function necessary or expedient for the administration of the Academy with prior approval from the Board.

B. Educational Goals and Program. edtec shall implement the educational goals and programs set forth in the Charter Contract, including, but not limited to, methods of pupil assessment, admission policy and criteria, school calendar and school day schedule, age and grade classifications for pupils to be enrolled, and methods to be used to monitor performance towards targeted educational outcomes. In the event that edtec determines that it is advisable to modify the educational goals and programs set forth in the Charter Contract, edtec will provide written notification to the Board specifying the changes it recommends and the reasons for the proposed changes. No changes in the educational goals and programs shall be implemented without the prior approval of the Board and a Charter Contract amendment approved by the Board and DPSCD. edtec shall provide the Board with periodic written reports specifying the level of achievement of each of the Academy's educational goals set forth in the Charter Contract and detailing its plan for meeting any educational goals that are not being attained, such reports to be submitted on a regular periodic basis and upon request of the Board.

C. Subcontracts. It is anticipated that edtec will utilize subcontracts to provide some of the services it is required to provide to the Academy under this Agreement. edtec may not subcontract the management, oversight, or operation of the teaching and instructional program without the specific prior written approval of the Board. Except as described in the previous sentence, Board approval of subcontracts is not required unless the cost for these subcontracted services exceeds the funds appropriated for that purpose in the Academy's approved budget or Board approval is required by the Charter Contract or by the Board's procurement policy. edtec will receive no additional fee as a result of subcontracting of any services.

D. Place of Performance. Instructional services other than field trips will normally be performed at the Academy facilities. edtec may perform functions other than instruction, such as purchasing, professional development, and administrative functions at off-site locations, unless prohibited by applicable law. The Academy shall provide edtec with the necessary office space at the Academy site to perform all services described in this Agreement.

If the Academy should expand to other locations in the future, such expansion will be accomplished by amendments to this Agreement and the Charter Contract.

E. Acquisitions. All acquisitions made by edtec for the Academy using any funds belonging to the Academy, including, but not limited to, instructional materials, equipment, supplies, furniture, computers, and other technology, shall be owned by and remain the property of the Academy. edtec and its subcontractors will comply with Sections 1267 and 1274 of the Code as if the Academy were making these purchases directly from a third party supplier. edtec will not include any fees or charges to the cost of the equipment, materials, and supplies purchased from third parties when it seeks reimbursement for the cost of these acquisitions from the Academy. All supplies, materials, and equipment procured for the Academy by edtec shall be inventoried by an acceptable method of inventory, and an inventory of Academy equipment shall be maintained so that it can be clearly established which property belongs to the Academy.

F. **Pupil Performance Standards and Evaluation.** edtec is responsible for and accountable to the Board for the performance of students who attend the Academy. edtec shall implement pupil performance evaluations which permit evaluation of the educational progress of each Academy student, using measures of student and school performance required by the Charter Contract and such additional measures as shall be mutually agreed upon between the Board and edtec, which are consistent with the Charter Contract.

G. **Student Recruitment.** edtec shall be responsible for the recruitment of students subject to the provisions of the Charter Contract and the policies adopted by the Board. Students shall be selected in accordance with the procedures set forth in the Charter Contract and in compliance with the Code and other applicable law. edtec shall follow all applicable procedures regarding student recruitment, enrollment, and lottery management, and shall be responsible for publication of appropriate public notices and scheduling of open houses, as may be required.

H. **Student Due Process Hearings.** edtec shall provide students with procedural and substantive due process in conformity with the requirements of state and federal law regarding discipline, special education, confidentiality, and access to records, to the degree that it is consistent with the Academy's own obligations. The Board shall retain the right to provide due process as required by law and to determine whether any student will be expelled.

I. **Legal Requirements.** edtec shall provide educational programs that meet the requirements imposed under the Code and the Charter Contract, unless such requirements are or have been waived.

J. **Rules and Procedures.** The Board shall adopt rules, regulations, and procedures applicable to the Academy, and edtec is directed to enforce the rules, regulations, and procedures adopted by the Academy. edtec shall assist the Board in its policy making function by recommending the adoption of reasonable rules, regulations, and procedures applicable to the Academy.

K. **School Year and School Day.** The school year and the school day shall be as provided in the Charter Contract and as defined annually by the Board.

L. **Authority.** edtec shall have authority and power necessary to undertake its responsibilities described in this Agreement except in the case(s) wherein such power may not be delegated by law.

M. **Charter Contract with DPSCD.** edtec will not act in a manner that will cause the Academy to be in breach of its Charter Contract with DPSCD.

N. **Additional Programs.** The services provided by edtec to the Academy under this Agreement include, but are not limited to, providing the educational program, described in the Charter Contract, as the same may change from time to time. The Board may decide to provide additional programs, including, but not limited to, summer school. The Academy may also purchase additional services from edtec at a mutually agreeable cost.

O. **Annual Budget Preparation.** edtec will prepare and provide the Board with a proposed annual budget that shall conform to the State of Michigan's accounting manual and the Uniform Budgeting and Accounting Act, MCL 141.421 *et seq.*, and in a form satisfactory to the

Board and to DPSCD. The budget shall contain object level detail and comply with public accounting standards. The budget shall include anticipated revenues and projected expenses and costs reasonably associated with operating the Academy and the educational program including, but not limited to, the projected cost of all services and educational programs provided to the Academy, rent and lease payments, debt service, maintenance and repairs to Academy facilities, supplies and furnishings necessary to operate the Academy, taxes, insurance premiums, utilities, professional fees, and other costs and expenses connected to the operation of the Academy.

The proposed budget shall be submitted to the Board for approval not later than thirty (30) days prior to the date when the approved budget is required to be submitted to DPSCD. edtec may not make deviations from the approved budget between major function areas without the prior approval of the Board.

P. **Academy Financial Health.** edtec shall do all things reasonably and professionally required to prevent the Academy's finances from experiencing any operating or fund balance deficits and shall do all things reasonably and professionally required to keep the Academy solvent.

Q. **Compliance with Academy's Charter Contract and ESP Requirements.** edtec agrees to perform its duties and responsibilities under this Agreement in a manner that is consistent with the Academy's obligations under the Academy's Charter Contract, the ESP Requirements and under applicable law. The provisions of the Academy's Charter Contract shall supersede any competing or conflicting provisions contained in this Agreement. Any action or inaction by edtec that is not cured within sixty (60) days of notice thereof which causes the Charter Contract to be revoked, terminated, or suspended or which causes the Charter Contract to be put in jeopardy of revocation, termination, or suspension by DPSCD is a material breach of this Agreement by edtec.

ARTICLE IV

OBLIGATIONS OF THE BOARD

A. **Board Policy Authority.** The Board is responsible for determining the fiscal and academic policies that will govern the operation of the Academy, including, but not limited to, policies relative to the conduct of students while in attendance at the Academy or en route to and from the Academy, policies relative to conduct of teachers and other edtec employees while on the premises of a juvenile detention and treatment facility, and policies and regulations governing the procurement of supplies, materials, and equipment to be used at the Academy. The Board shall exercise good faith in considering the recommendations of edtec on issues including, but not limited to, policies, rules, regulations, procedures, curriculum, and budgets, subject to the constraints of law and the requirements of the Charter Contract.

B. **Building Facility.** The Board is responsible for the acquisition by either purchase or lease of a building facility that complies with all of the requirements of the Charter Contract and applicable law.

C. **Academy Employees.** The Board may employ such employees as it deems necessary. The cost to employ Academy employees shall be paid by the Board.

D. **Educational Consultants.** The Board may retain an educational consultant or consultants to review the operations of the Academy and the performance of edtec under this Agreement. edtec shall cooperate with the educational consultant or consultants and shall provide those individuals with prompt access to records, facilities, and information as if such requests came directly from the Board. edtec shall have no authority to select, evaluate, assign, supervise, or control any educational consultant employed by the Board, and agrees that it will not bring or threaten to bring any legal action against any educational consultant for the performance of the functions requested to be performed by the Board and which are consistent with this Agreement. The cost to employ an educational consultant shall be paid by the Board.

E. **Legal Counsel.** The Board shall select and retain legal counsel to advise it regarding its rights and responsibilities under the Charter Contract, this Agreement, and applicable law. Such legal counsel shall advise on the negotiation of this Agreement and shall not represent edtec or any edtec owner(s), director(s), officer(s), or employee(s).

F. **Audit.** The Board shall select and retain the independent auditor to perform the annual financial audit in accordance with the Charter Contract and applicable state law.

G. **Budget.** The Board is responsible for adopting a budget in accordance with the provisions of the Uniform Budgeting and Accounting Act, MCL 141.421 *et seq*, that has adequate resources to fulfill its obligations under the Charter Contract, including, but not limited to, its oversight of edtec, the organization of the Academy, negotiation of the Charter Contract and any amendments, payment of employee costs, insurance required under the Charter Contract and this Agreement, the annual financial audit, and retention of the Board's legal counsel and consultants. In addition, the Board is responsible for determining the budget reserve amount included as part of the Academy's annual budget, for implementing fiscal policies that will assist the Academy in attaining the stated budget reserve amount, and for approving necessary amendments to the budget to reflect necessary deviations from the adopted budget. The budget may be amended from time to time as deemed necessary by the Board.

H. **Academy Funds.** The Board shall determine the depository institution of all funds received by the Academy. All funds received by the Academy shall be deposited in the Academy's depository account. Signatories on the depository account shall be Board members and/or Board designated employees. All interest or investment earnings on Academy deposits shall accrue to the Academy. The Board shall pay its obligations under this Agreement on a consistent and timely basis.

I. **Governmental Immunity.** The Board shall have the sole power to determine when to assert, waive, or not waive its governmental immunity.

J. **Charter Contract with DPSCD.** The Board will not act in a manner which will cause the Academy to be in breach of its Charter Contract with DPSCD.

K. **Evaluation of edtec.** The Board will evaluate the performance of edtec to provide edtec with an understanding of the Board's view of its performance under this Agreement. All evaluations conducted by the Board or a representative of the Board will be provided to edtec in writing, no later than thirty (30) days following the conclusion of the evaluation. edtec will be

provided thirty (30) days to respond to the evaluation in writing, if it wishes to do so. Special evaluations may occur at any time at the discretion of the Board.

L. **Chief Administrative Officer.** The Board shall designate a Chief Administrative Officer as provided under Section 2b(3) of the Uniform Budgeting and Account Act, MCL 141.421. No edtec employee shall be designated as the Chief Administrative Officer.

ARTICLE V

FINANCIAL ARRANGEMENT

A. **School Source of Funding.** As a Michigan strict discipline academy, the major source of funding for the Academy is State School Aid received pursuant to the State School Aid Act, Act 94 of 1979, as amended (“State School Aid”). State School Aid payments are based upon the number of students enrolled in the Academy. The Academy will also receive other payments as may be available from state and federal sources for specific programs and services.

B. **Other Revenue Sources.** In order to supplement and enhance the State School Aid payments and improve the quality of education at the Academy, the Board and edtec, with prior Board approval, shall endeavor to obtain revenue from other sources. In this regard:

1. The Academy and/or edtec shall solicit and receive donations consistent with the mission of the Academy.
2. The Academy and/or edtec may apply for and receive grant money, in the name of the Academy. edtec shall provide advance written notification to the Board of any grant applications it intends to make.
3. To the extent permitted under the Code, edtec may charge fees to students for extra services such as summer programs, after school programs, and athletics, and edtec may charge non-Academy students who participate in such programs.

All funds received by edtec or the Academy from such other revenue sources shall inure to and be deemed the property of the Academy.

C. **Compensation for Services.** The Academy shall pay edtec an annual management fee for each school year during the term of this Agreement. The base amount of this annual fee shall be twelve (12%) of the sum of (a) all funds the Academy receives directly or indirectly under Paragraph A attributable to the school year of the Academy during which edtec provides services under this Agreement less amounts retained by DPSCD plus (b) all funds that the Academy receives directly or indirectly under Paragraph B (except for donations that are made to Academy). The compensation due to edtec shall be calculated for each school year at the same time as the State of Michigan calculates the State School Aid, and adjustments to such calculation shall occur at the same time as the State of Michigan makes adjustments to the State School Aid. The amount of the annual fee is subject to reduction in a mutually agreeable amount in any school year if extenuating circumstances make payment of the entire annual fee inappropriate.

edtec’s annual management fee shall be paid in eleven installments on the last day of the months of October through August for the school year of the Academy during which edtec

provides services under this Agreement. edtec will cooperate with the Academy to modify the exact date of any monthly installment payment to coordinate with the timing of the funds received by the Academy, provided, however, that all payments attributable to services provided by edtec in any school year of the Academy shall be made by June 30 of that school year if edtec will not be providing services under this Agreement or there is or will be a modification of this Agreement in the subsequent school year.

D. **Reasonable Compensation.** edtec's compensation under this Agreement is reasonable compensation for services rendered. edtec's compensation for services under this Agreement is not based, in whole or in part, on a share of net profits from the operation of the Academy.

E. **Payment of Educational Program Costs.** In addition to the Academy's obligation to reimburse edtec for the compensation of certain edtec employees under Article VI, all costs reasonably incurred in providing the educational program at the Academy shall be paid by the Academy in accordance with the annual budget approved by the Board. Such costs shall include, but shall not be limited to, curriculum materials, professional learning and development required by the state or other governmental entities, textbooks, library books, computers and other equipment, software, and supplies utilized at the Academy for educational purposes, services provided pursuant to subcontract, building payments, maintenance, utilities, capital improvements, and marketing and development costs. Marketing and development costs paid by or charged to the Academy shall be limited to those costs specific to the Academy program, and shall not include any costs for the marketing and development of edtec. The Board shall pay or reimburse edtec monthly for approved fees and expenses upon properly presented documentation and approval by the Board. At its option, the Board may advance funds to edtec for the fees and expenses associated with the Academy's operation, provided that documentation for the fees and expenses are provided by edtec to the Board within sixty (60) days of when the expense is incurred. In paying costs on behalf of the Academy, edtec shall not charge any additional amounts. Any costs reimbursed to edtec that are determined by the independent audit not to be reasonably incurred on behalf of the educational program of the Academy shall be promptly returned to the Academy by edtec. No corporate costs of edtec shall be charged to, or reimbursed by, the Academy.

F. **edtec Costs.** The annual management fee set forth in Article V, Section C is intended to compensate edtec for all expenses it incurs for the administrative, financial, and management services edtec is required to provide under this Agreement, including, but not limited to, expenses associated with budgeting, accounting, board support, employee recruitment, hiring, and training, and compliance. edtec will provide sufficient professional and non-professional staff in these areas and is responsible for their compensation. The costs to be paid by edtec under this Paragraph do not include payments for edtec personnel provided pursuant to Article VI (B), (C), and (D) that are to be reimbursed by the Academy under Article VI (A) or educational program costs under Article V (E).

G. **Other Public School Academies.** The Academy acknowledges that edtec has entered, or will enter into, management agreements with other public school academies. edtec shall separately account for reimbursable expenses incurred on behalf of the Academy and other public school academies, and only charge the Academy for expenses incurred on behalf of the Academy.

H. **Financial Reporting.** At least monthly, edtec shall provide the Board with a monthly cash flow analysis, an aged report of accounts payable, a bank reconciliation, and a written report detailing the status of the budget to actual revenues and a detailed schedule of expenditures at an object level for review and approval by the Board. edtec shall present the Board with a balance sheet and a statement of revenues, expenditures, and changes in fund balance at each regularly scheduled meeting. All financial reports must explain any variances from the approved budget, if any, and shall contain recommendations for necessary budget corrections, and shall be prepared at least seven (7) days in advance of the Board meeting to be available to Board members and its designees, in preparation for Board meetings. These reports shall be provided to the Board finance committee and the Board at least one week prior to the regularly scheduled Board meeting. edtec shall provide special reports as necessary to keep the Board informed of changing conditions.

I. **Operational Reporting.** In order to enable the Board to monitor edtec's educational performance and the efficiency of its operation of the Academy, upon the request of the Board, edtec will provide written reports to the Board on any topic of Academy activity or operations and which are consistent with this Agreement. These special reports will be provided in a timely fashion, but not less than thirty (30) days after the request for the report is received by edtec, unless the Board and edtec mutually agree upon an extended timetable.

J. **Audit Report Information.** edtec will make all of its financial and other records related to the Academy available to the independent auditor selected by the Board. edtec staff will cooperate with said independent auditor.

K. **Other Financial Relationships.** Other than the financial arrangements described in this Agreement, edtec and the Academy shall have no other financial relationships between each other. No lease, promissory notes or other negotiable instruments, lease-purchase agreements, or other financing agreements between the Academy and edtec shall be permitted and such arrangements are strictly prohibited.

L. **Access to Records.** edtec shall keep accurate financial records pertaining to its operation of the Academy, together with all Academy financial records prepared by or in the possession of edtec, and retain all of these records in accordance with applicable state and federal law and the ESP Requirements. Financial, educational, operational, and student records that are now or may in the future come into the possession of edtec remain Academy records and are required to be returned by edtec to the Academy upon demand, provided that edtec may retain copies of records necessary to document the services provided to the Academy and its actions under the Agreement. edtec and the Academy shall maintain the proper confidentiality of personnel, student, and other records as required by law. All Academy records shall be physically or electronically available, upon request, at the Academy's physical facilities. The financial, educational, operational, and student records pertaining to the Academy are public documents subject to disclosure in accordance with the provisions of applicable law, including the Michigan Freedom of Information Act, Public Act 442 of 1976. This Agreement shall not be construed to restrict DPSCD's or the public's access to these records under applicable law or the Charter Contract.

M. **Bankruptcy of ESP Principal or Officer.** edtec shall notify the Academy Board if any principal or officer of edtec, or edtec (including any related organizations or organizations in which a principal or officer of edtec served as a principal or officer) as a corporate entity, has

filed for bankruptcy protection in the last six (6) months or within any applicable preference period, whichever is longer.

N. **Conflict of Interest.** edtec shall have a written conflict of interest policy, a copy of which shall be made available to the Board upon request. edtec shall not execute contracts with any third party for services to be provided to or on behalf of the Academy where there is a conflict of interest between edtec and the third party.

ARTICLE VI

PERSONNEL AND TRAINING

A. **Personnel Responsibility.** edtec is responsible for providing the Academy with a School Administrator and qualified teachers, instructional support, pupil support, food service, secretarial, security, and other staff required to operate the Academy within the staffing levels approved by the Board in its annual budget. edtec shall have the authority to select, evaluate, assign, discipline, transfer, and terminate the employment of all individuals working at or for the Academy, with the exception of the Board employees, if any, consistent with applicable law and the provisions of this Agreement. With the exception of Board employees, if any, edtec shall be the employer of all individuals working at or for the Academy and will be responsible for the payment of all costs attributable to these employees, including wages, salaries, fringe benefits, unemployment costs, workers compensation costs, and liability insurance costs. Unless required by applicable statute, court, or administrative decision or Attorney General's opinion, edtec shall not make payments to the Michigan Public School Employees' Retirement System or any other public retirement system on behalf of its employees. edtec will provide the Board with a detailed listing of the anticipated compensation and fringe benefit costs for all employees of edtec who will be assigned to provide services at the Academy. The Board will reimburse edtec for the cost of the salaries, fringe benefits, and social security withholdings of employees assigned to the Academy, provided that these costs are not higher than anticipated and approved in the annual budget. At its option, the Board may advance funds to edtec for the cost of the salaries, fringe benefits, and social security of employees assigned to the Academy provided that documentation for the fees and expenses are provided by edtec for Board review and are consistent with budget allocations. At the request of the Board, edtec will provide payroll services for employees of the Board. All records pertaining to teacher and administrator certification, as well as a copy of the employee handbook, shall be maintained physically on site or be directly accessible at all Academy facilities. edtec shall not execute contracts with its staff assigned to the Academy that contain non-compete agreements of any nature.

B. **Criminal Background Checks.** edtec agrees that it shall not assign any of its employees, agents, or other individuals to perform any services under this Agreement except as permitted under Sections 1230, 1230a, 1230b, and related provisions of the Code pertaining to criminal background and criminal conduct checks. The Board may require that the results of criminal background checks are received, reviewed, and used (subject to a verification process) by a qualified governmental employee acting on behalf of the Academy and/or the Board, only as permitted by law to confirm that the individual does not have a criminal history in violation of the Code. The Board shall require the qualified governmental employee to provide a letter with a determination for assignment indicating if the individual is in compliance with the requirements of the Code or

not. edtec shall not assign to the Academy any individual for whom edtec has received determination of non-assignment (a “red light letter”). Further, edtec shall perform unprofessional conduct checks as required by the Code. Evidence of such background checks and unprofessional conduct checks required by law shall be stored on site, in a secure location and in physical form, at the Academy or be directly accessible at the Academy facility.

C. **School Leader.** edtec will have the authority, consistent with applicable law, and with input from the Board, to select and supervise the Academy’s School Leader (“School Leader”) and to hold that individual accountable for the success of the Academy. At the request of the Board, edtec will review the performance of the School Leader with the Board. The School Leader will be an edtec employee, but edtec agrees to provide the Board an opportunity to meet with the School Leader prior to placement at the Academy and to inform the Board in advance prior to taking any action that would alter the employment status of the School Leader. Upon receipt of written notification indicating that the Board is not satisfied with the performance of the School Leader, edtec will provide a replacement school leader if the performance problems are not resolved. The School Leader shall have an administrator’s certificate covering the applicable grade levels of the Academy. The employment agreement with the School Leader and the duties and compensation of the School Leader shall be determined by edtec, but that individual must be assigned on a full time basis to the Academy and may not be providing services to any other school or Academy without the prior approval of the Board. If the Superintendent of edtec is designated as the School Leader, the Superintendent need not be assigned to the Academy on a full time basis. If edtec chooses to execute an employment agreement with the School Leader that has a term longer than one year, the Board reserves the right to have the School Leader placed elsewhere by edtec if the Board is dissatisfied with that individual’s performance at the end of any school year.

D. **Teachers.** As part of the annual budgeting process, edtec shall make a recommendation to the Board regarding the number of teachers and the applicable grade levels and subjects required for the operation of the Academy pursuant to the Charter Contract. edtec shall provide the Academy with such teachers, qualified in the grade levels and subjects required, as are required by the Academy. The Board, however, shall ultimately decide the number of teachers, the applicable grade levels, and subjects taught at the Academy, as prescribed in the Charter Contract. Such teachers may, at the discretion of edtec, work at the Academy on a full or part time basis. If assigned to the Academy on a part time basis, such teachers may also work at other schools operated by edtec. Each teacher assigned to or retained by the Academy shall be a highly qualified teacher with a valid teaching certificate or temporary special permit issued by the Michigan Department of Education under the Code, to the extent required under the Code and the Every Student Succeeds Act. If edtec chooses to execute employment agreements with teaching staff that have a term of longer than one year, the Board reserves the right to have teachers placed elsewhere by edtec if the Board is dissatisfied with their performance at the end of any school year. Teachers employed by edtec shall not be considered teachers for purposes of continuing tenure under MCLA Section 38.71 *et seq.*, and shall not be considered employees of the Academy or the Board.

E. **Support Staff.** As part of the annual budgeting process, edtec shall make a recommendation to the Board regarding the number of support staff required for the operation of the Academy pursuant to the Charter Contract. The Board, however, shall ultimately decide the number of support staff at the Academy. edtec shall provide the Academy with such support staff, qualified in the areas required, as are required by the Academy. Such support staff may, in the

discretion of edtec, work at the Academy on a full or part time basis. If assigned to the Academy on a part time basis, such support staff may also work at other schools operated by the edtec. Each support staff employee assigned to or retained by the Academy shall have received the training and hold the certificates, degrees, or licenses legally required for the position to which they are assigned under the Code and the Every Student Succeeds Act. If edtec chooses to execute contracts with support staff that have a term of longer than one year, the Board reserves the right to have support staff placed elsewhere by edtec if the Board is dissatisfied with their performance at the end of any school year.

F. **Training.** edtec shall ensure training is provided to the School Leader, teachers, and paraprofessionals on a regular and continuing basis and shall insure that its staff receives all training required by law. The School Leader, teachers, paraprofessionals, and other support staff employees shall receive such other training as edtec determines is reasonable and necessary under the circumstances.

ARTICLE VII

TERMINATION OF AGREEMENT

A. **Termination by the Academy for Cause.** This Agreement may be terminated by the Academy for cause prior to the end of the term specified in Article II in the event that edtec should fail to remedy a material breach within a period reasonable under the circumstances, which shall not be longer than sixty (60) days after notice from the Academy. A material breach by edtec may include, but is not limited to, a failure to carry out its responsibilities under this Agreement, such as a failure to make required reports to the Board; failure to account for its expenditures or to pay operating costs (provided funds are available to do so); or violating the Charter Contract or applicable law. In order to terminate this Agreement for cause, the Board is required to provide edtec with written notification of the facts it considers to constitute material breach and the period of time within which edtec has to remedy this breach. After the period to remedy the material breach has expired, the Board may terminate this Agreement by providing edtec with written notification of termination.

B. **Termination by edtec for Cause.** This Agreement may be terminated by edtec for cause prior to the end of the term specified in Article II in the event the Academy fails to remedy a material breach within a period reasonable under the circumstances, which shall not be longer than sixty (60) days after notice from edtec. A material breach by the Academy may include, but is not limited to, a failure to carry out its responsibilities under this Agreement, such as a failure to make payments to edtec as required by this Agreement; a failure to give consideration to the recommendations of edtec regarding the operation of the Academy; or violating the Charter Contract or applicable law. In order to terminate this Agreement for cause, edtec is required to provide the Board with written notification of the facts it considers to constitute material breach and the period of time within which the Academy has to remedy this breach. After the period to remedy the material breach has expired, edtec may terminate this Agreement by providing the Board with written notification of termination.

C. **Termination by Loss of Charter Contract.** This Agreement shall automatically terminate in the event that the Academy no longer possesses a Charter Contract to operate a strict discipline academy, including, but not limited to, a termination or revocation of the Charter Contract or a failure to renew an existing Charter Contract.

D. **Termination by Either Party without Cause.** If edtec and the Board are unable to agree on educational programs, curriculum, or other educational policies that are determined by the Board to affect the Academy in a significant way, either party may elect to terminate the Agreement at the end of a school year, provided that the terminating party gives the other party written notification of termination at least ninety (90) calendar days prior to the termination date and provides the other party with an opportunity within that period to negotiate an agreement on the educational policies at issue.

E. **DPSCD Required Termination or Amendment.** This Agreement shall be terminated or amended with no cost or penalty to the Academy, and no recourse to DPSCD or any third party affiliated with or engaged by DPSCD, by edtec or any subcontracted person or entity of edtec, in the event DPSCD determines to exercise its prerogative under the Charter Contract to require the termination or amendment of the this Agreement.

F. **Change in Law.** If any federal, state, or local law, regulation, or court decision has a material adverse impact on the ability of either party to carry out its obligations under this Agreement, then either party, upon written notice to the other, may request renegotiation of the Agreement. If the parties are unable or unwilling to renegotiate the terms within ninety (90) days after said notice, the party requiring the renegotiation may terminate this Agreement on one hundred twenty (120) days further written notice.

G. **Effective Date of Termination.** In the event this Agreement is terminated by either party prior to the end of the term specified in Article II, absent unusual and compelling circumstances, the termination will not become effective until the end of the school year in which this Agreement was terminated.

H. **Rights to Property upon Termination.** Upon termination of this Agreement anything purchased with state school aid funds or other Academy funds, shall remain the exclusive property of the Academy. edtec shall have the right to reclaim any usable property or equipment (e.g., including, but not limited to, desks, computers, copying machines, fax machines, and telephones) that were purchased by edtec with edtec funds. Fixtures and building alterations or any kind are the property of the Academy.

I. **Transition.** In the event of termination of this Agreement for any reason by either party prior to the end of the Agreement's term, edtec shall provide the Academy reasonable assistance for up to ninety (90) days after the effective date of the termination to allow a transition back to a regular school program or to transition to another education service provider. edtec may charge a reasonable fee for such services, which shall be no higher on a per month basis than the average standard monthly fee paid during the regular term of this Agreement. Upon termination, edtec shall without charge (i) close the books on the then-current fiscal quarter; (ii) organize and prepare the Academy's records for transition to a new ESP, if any; (iii) organize and prepare student records

for transition to a new ESP, if any; and (iv) provide for the orderly transition of employee compensation and benefits to a new ESP, if any, without disruption to staffing.

ARTICLE VIII

PROPRIETARY INFORMATION

A. **Copyright and Proprietary Information.** All instructional materials, training materials, curriculum, lesson plans, and any other materials developed by edtec, its employees, agents, or subcontractors, or by any individual working for or supervised by edtec, which (i) were directly developed and paid for by the Academy, or (ii) were developed by edtec at the direction of the Board using Academy funds, shall be considered “work made for hire” as such term defined in Section 101 of the Copyright Act, 17 U. S. Code, Section 101 and the Academy shall own all copyright and other proprietary rights to such instructional materials, training materials, curriculum, lesson plans, and any other materials.

B. **Required Disclosure.** The Academy shall be permitted to report any new teaching techniques or methods of significant revisions to known teaching techniques or methods to DPSCD and to the Michigan Department of Education, which teaching techniques or methods may thereafter be made available to the public, as provided in Section 505(3) of the Code, notwithstanding anything contained in this Article VIII to the contrary.

ARTICLE IX

INDEMNIFICATION

A. **Indemnification of edtec.** To the extent permitted by law, the Academy shall indemnify and hold edtec (which term for purposes of this Paragraph A, includes edtec’s officers, directors, and employees) harmless against any and all claims, demands, suits, or other forms of liability that may arise out of, or by reason of, any noncompliance by the Academy with any agreements, covenants, warranties, or undertakings of the Academy contained in or made pursuant to this Agreement; and any misrepresentation or breach of the representations and warranties of the Board contained in or made pursuant to this Agreement.. In addition, and to the extent permitted by law, the Academy shall reimburse edtec for any and all legal expenses and costs associated with the defense of any such claim, demand, or suit. The indemnification requirements of this Paragraph may be met by the purchase of insurance in a form and amounts acceptable to edtec.

B. **Limitations of Liabilities.** The Academy may assert all immunities and statutory limitations of liability in connection with any claims arising under this Agreement.

C. **Indemnification of the Academy.** edtec shall indemnify and hold the Academy (which term for purposes of this Paragraph C, includes the Academy’s officers, directors, agents, and employees) harmless against any and all claims, demands, suits, or other forms of liability that may arise out of, or by reason of, any noncompliance by edtec with any agreements, covenants, warranties, or undertakings of edtec contained in or made pursuant to this Agreement, including any and all employment related claims, demands, or suits by edtec employees, former employees, or applicants; and any misrepresentation or breach of the representations and warranties of edtec contained in or made pursuant to this Agreement. In addition, edtec shall reimburse the Academy

for any and all legal expenses and costs associated with the defense of any such claim, demand, or suit. The indemnification requirements of this paragraph may be met by the purchase of insurance in a form and amounts acceptable to the Academy.

D. **Indemnification for Negligence.** To the extent permitted by law, the Academy shall indemnify and hold harmless edtec, and edtec's Owner, Board of Directors, partners, officers, employees, agents, and representatives, from any and all claims and liabilities which edtec may incur and which arise out of the negligence of the Academy's directors, officers, employees, agents, or representatives. edtec shall indemnify and hold harmless the Academy, and the Academy's Board, officers, employees, agents, or representatives, from any and all claims and liabilities which the Academy may incur and which arise out of the negligence or intentional activity of edtec's owner, directors, officers, employees, agents, or representatives.

E. **Indemnification of DPSCD.** In consideration for the grant of the Charter Contract to the Academy, which is of material value to edtec, the parties hereby agree to indemnify and hold harmless the DPSCD, and its Board members, officers, employees, agents, or representatives from all claims, demands, or liability, including attorney fees and related expenses, on account of injury, loss, or damage, including, without limitation, claims arising from bodily injury, personal injury, sickness, disease, death, property loss or damage, or any other losses of any kind whatsoever and not caused by the sole negligence of DPSCD, which arise out of or are in any manner connected with, DPSCD Board's consideration of or issuance of the Charter Contract, the Academy's preparation for and operation of a public school, or which are incurred as a result of the reliance by DPSCD and its Board members, officers, employees, agents, or representatives upon information supplied by the Academy or edtec, or which arise out of the failure of the Academy to perform its obligations under the Charter Contract issued to the Academy by DPSCD Board. edtec expressly acknowledges and agrees that DPSCD and its Board members, officers, employees, agents, or representatives may commence legal action against edtec to enforce its rights as set forth in this Agreement.

ARTICLE X

INSURANCE

A. **Insurance of the Academy.** The Academy shall secure and maintain such policies of insurance as required by DPSCD and the Charter Contract. This coverage shall include the building and related capital facilities if they are the property of the Academy. The Academy shall maintain such insurance in an amount and on such terms as required by the provisions of the Charter Contract, including the indemnification of edtec required by this Agreement. The Academy shall, upon request, present evidence to edtec that it maintains the requisite insurance in compliance with the provisions of this paragraph. edtec shall comply with any information or reporting requirements applicable to the Academy under the Academy's policy with its insurer(s), to the extent practicable

B. **Insurance of edtec.** edtec shall secure and maintain such policies of insurance as required by DPSCD and the Charter Contract, with the Academy and DPSCD listed as an additional insured. edtec shall maintain such insurance in an amount and on such terms as are reason-

ably acceptable to the Academy and as required by the provisions of the Charter Contract, including the indemnification of the Academy required by this Agreement. edtec shall, upon request, present evidence to the Academy and DPSCD that it maintains the requisite insurance in compliance with the provisions of this paragraph. The Academy shall comply with any information or reporting requirements applicable to edtec under edtec's policy with its insurer(s), to the extent practicable. Any policy of insurance maintained by edtec must include coverage for sexual molestation or abuse, must name DPSCD as an additional, named insured, and shall not be changed, revoked, or modified absent thirty (30) days' notice to DPSCD. In the event DPSCD modifies the level, type, scope, or other aspects of such coverage, then edtec shall undertake like and similar modifications within thirty (30) days of being notified of such change.

C. **Workers' Compensation Insurance.** Each party shall maintain workers' compensation insurance when and as required by law, covering their respective employees.

ARTICLE XI

COMPLIANCE WITH CHARTER CONTRACT

A. **Charter Contract.** The parties hereby agree to comply with the Charter Contract and the ESP Requirements.

B. **Academy Board Due Diligence.** The Board hereby agrees to perform the necessary due diligence of edtec and provide all information to the OCS pursuant to the ESP Policies, if any.

C. **Academy Board Members.** All Academy Board employees and their respective spouses and immediate family members hereby agree that they do not have any direct or indirect ownership, employment, contractual or management interest in edtec. The relationship between the Academy and edtec shall be consistent with the conflicts of interest and prohibited familial relationship provisions set forth in the Charter Contract and applicable law.

D. **ESP Agreement.** This Agreement is an arms-length, negotiated agreement between an informed Board and edtec. The Board shall not approve this Agreement until all Board members have been given the opportunity to review the Agreement with the Academy's legal counsel. Prior to the Board's approval of this Agreement, the Board shall obtain a legal opinion from its legal counsel, in the form provided in the ESP Requirements. The Board shall only approve this Agreement with a formal vote at a public board meeting. Prior to Board's vote on this Agreement, the Board shall provide an opportunity for public comment on this Agreement.

E. **Information Reporting.** edtec is hereby required to make information concerning the operation and management of the Academy, including, but not limited to, information in the Charter Contract, including all exhibits, attachments, and the like, available to the Academy as deemed necessary by the Board in order to enable the Academy to fully satisfy its obligations under the Charter Contract. edtec shall make information available to the Academy as deemed necessary by the Board in order to enable the Academy to fully satisfy its transparency reporting under the Charter Contract and also at least the information that a school district is required to be disclosed under MCLA 388.1618 for the most recent fiscal year for which that information is available.

F. **DPSCD Review of Agreement.** edtec acknowledges that DPSCD shall review any and all proposed management agreements, and no management agreement, including this Agreement, shall be effective until the Academy is notified in writing that DPSCD does not disapprove of such management agreement.

ARTICLE XII

MISCELLANEOUS

A. **Force Majeure.** Neither party shall be liable if the performance of any part or all of this Agreement is prevented, delayed, hindered, or otherwise made impracticable or impossible by reason of any strike, flood, riot, fire, explosion, war, act of God, sabotage, accident, or any other casualty or cause beyond either party's control, and which cannot be overcome by reasonable diligence and without unusual expense.

B. **Notices.** All notices, demands, requests, and consents under this Agreement shall be in writing, shall be delivered to each party, and shall be effective when received by the parties or mailed to the parties at their respective addresses set forth below, or at such other address as may be furnished by a party to the other party:

If to edtec: edtec central, LLC
22932 Woodward Ave
Ferndale, MI 48220
Attn: Anna Amato

If to Academy: Capstone Academy Charter School
3500 John R. Street
Detroit, Michigan 48226
Attention: Board President

And a copy to edtec's counsel:

Collins & Blaha, P.C.
Attn: John A. Kava, Esq.
31440 Northwestern Highway
Suite 170
Farmington Hills, MI 48334

And a copy to Board's Attorney:

Shifman Carlson, P.C.
Attn: Robert Gavin, Esq.
34705 W. Twelve Mile Road
Suite 160
Farmington Hills, Michigan 48331

C. **Severability.** The invalidity of any of the covenants, phrases, or clauses in this Agreement shall not affect the remaining portions of this Agreement, and this Agreement shall be construed as if such invalid covenant, phrase, or clause had not been contained in this Agreement.

D. **Successors and Assigns.** This Agreement shall be binding upon, and inure to the benefit of, the parties and their respective successors and assigns.

E. **Entire Agreement.** This Agreement is the entire agreement between the parties relating to the services provided and to the compensation for such services by the parties. Any modification to this Agreement must be made in writing, approved by the Board and edtec, and signed by a duly authorized officer of each.

F. **Amendments and Modifications.** The Board must submit any and all amendments or modifications of this Agreement to DPSCD not less than 45 days prior to the Board's approval of such amendments or modifications. No amendment or modification of this Agreement shall be

effective unless and until DPSCD has notified the Academy in writing that it does not disapprove of the modification.

G. **Non-Waiver.** A failure of a party in exercising any right, power, or privilege under this Agreement shall not affect such right, power, or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies of the parties under this Agreement are cumulative and not exclusive of any rights or remedies which either party may otherwise have.

H. **Assignment.** edtec may not assign this Agreement without the prior written approval of the Board and prior written notification to DPSCD and must be done in a manner consistent with DPSCD's ESP Policies.

I. **Governing Law.** This Agreement shall be governed by and enforced in accordance with the laws of the State of Michigan.

J. **Delegation of Authority.** Nothing in this Agreement shall be construed as delegating to edtec any of the powers or authority of the Board that are not subject to delegation by the Board under Michigan law or the Charter Contract.

K. **Compliance with Law.** The parties agree to comply with all applicable laws and regulations in their performance of this Agreement.

L. **Warranties and Representations.** Both the Academy and edtec represent that each has the authority under law to execute, deliver, and perform this Agreement and to incur the obligations provided for under this Agreement, that its actions have been duly and validly authorized, and that it will adopt any and all resolutions or expenditure approvals required for execution of this Agreement.

M. **Dispute Resolution Procedure.** Any and all disputes between the parties concerning any alleged breach of this Agreement or arising out of or relating to the interpretation of this Agreement or the parties' performance of their respective obligations under this Agreement that are unable to be resolved through discussion and negotiation shall be resolved by arbitration. Such an arbitration procedure shall be the sole and exclusive remedy for such matters. The arbitrator shall be selected from a panel provided by and in accordance with the rules of the American Arbitration Association, and the arbitration shall be conducted in accordance with the rules of the American Arbitration Association, with such variations as the parties and the arbitrator unanimously accept. Any arbitration hearing shall be conducted in Wayne County, Michigan. A judgment on the award rendered by the arbitrators may be entered in any court having appropriate jurisdiction and shall be binding upon the parties. Any such judgment shall require a cause opinion as to the final decision and shall be made available to DPSCD upon request. The cost of arbitration, not including attorney fees, shall be paid by the losing party. It shall be in the discretion of the arbitration panel to award reasonable attorney fees to the prevailing party, to be paid by the losing party, if awarded.

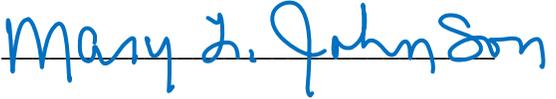
N. This Agreement shall not be effective unless or until unless and until DPSCD has notified the Academy in writing that it does not disapprove of this Agreement.

The parties have executed this Agreement as of the day and year first above written.

EDTEC CENTRAL, LLC

CAPSTONE ACADEMY CHARTER SCHOOL

BY: 

BY: 

Anna Amato, President & CEO

Mary Johnson, Board President

Dated: 6-21-2017

Dated: 6-21-2017