

STRICT DISCIPLINE ACADEMY CONTRACT BETWEEN

DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT
(The Authorizing Body)

AND

CAPSTONE ACADEMY CHARTER SCHOOL
(A Strict Discipline Academy)

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DETROIT PUBLIC SCHOOLS STRICT DISCIPLINE ACADEMY CONTRACT

This Strict Discipline Academy Contract made and entered as of July 1, 2017, by and between the Detroit Public Schools Community District ("DPSCD"), a Michigan public school district and statutory body, and Capstone Academy Charter School (the "SDA"), a Michigan non-profit corporation.

WHEREAS, DPSCD and the SDA are authorized to enter into this Contract for the purposes stated herein pursuant to Sections 380.1311b through and including 380.1311m, of the Michigan Revised School Code, Act 451 of 1976, as amended (the "Code"); and

WHEREAS, the SDA has been operating as a strict discipline academy since August 15, 2012 pursuant to a charter contract with the School District of the City of Detroit of that same date; and

WHEREAS, DPSCD has, by resolution of its Board of Education dated March 14, 2017, reauthorized the issuance of a contract to the SDA and authorized the execution and delivery of this Contract by the undersigned officers of DPSCD and the performance of the terms hereof by such officers and by all other applicable officers, employees, agents and representatives of DPSCD; and

WHEREAS, the Board of Directors (the "Directors") of the SDA has, by resolution adopted as of April 27, 2017, approved the form of this Contract and authorized the execution and delivery of this Contract by the undersigned officers of the SDA and the performance of the terms hereof by such officers and by all other applicable Directors, officers, employees, and agents of the SDA.

NOW, THEREFORE, DPSCD and the SDA agree as follows:

ARTICLE I DEFINITIONS

1.01 *Certain Definitions.* In addition to the terms defined throughout this Contract, the following terms shall have the meanings provided below.

- (a) "Academy", "the Academy" or the "SDA" means the Michigan non-profit corporation that is established as a Strict Discipline Academy pursuant to to Articles of Incorporation filed with the Michigan Department of Licensing and Regulatory Affairs on June 19, 2012 and authorized under this contract. "Authorizing Body" means DPSCD.
- (b) "Academy Funds" means money, including, but not limited to, State School Aid, grants or donations, paid, due or belonging to the Academy.

- (c) “Board of Education” means the elected board of DPSCD or other duly authorized individual or governing body empowered by law to manage DPSCD.
- (d) “Chief Financial Officer” means the Chief Financial Officer of DPSCD or the person holding the highest office of DPSCD with responsibility over financial affairs.
- (e) “Contract” means this contractual agreement for the maintenance and operation of a Michigan Strict Discipline Academy and all documents incorporated herein by reference.
- (f) “Code” means the Michigan Revised School Code, Act 451 of 1976, as amended, which is codified at Sections 380.1 to 380.1852 of the Michigan Compiled Laws.
- (g) “Detroit Public Schools” or “DPSCD” means the Detroit Public Schools Community District established pursuant to the Code.
- (h) “Director(s)” means a person who is a member of the SDA Board , as identified on Attachment A, attached hereto and made a part hereof.
- (i) “DPSCD Designee” means the DPSCD Office of Charter Schools.
- (j) “Director of Charter Schools” means the Director of the DPS Office of Charter Schools or the person holding office at DPS with responsibility over such matters.
- (k) “ESEA” means the Education and Secondary Education Act Reauthorization of 2001 (Pub. L. No. 107-110, 115 Stat. 1425 (Jan. 8, 2002)), which is also known as the No Child Left Behind Act of 2001.
- (l) “ESP” means the Educational Service Provider engaged by the Academy in accordance with the terms of Article IX of this Contract.
- (m) “ESP Requirements” means the Public School Academy Educational Service Providers Requirements prepared by DPSCD Office of Charter Schools.
- (n) “ESSA” means the Every Student Succeeds Act of 2015 (Pub. L. No. 1114-95 (December 10, 2015)).
- (o) “PSA Board” means the board of directors of the PSA.
- (p) “Resolution” means the Resolution of the Board of Education, dated March 14, 2017, which, for the purposes of this Contract, shall constitute an authorizing body resolution described in the Code.
- (q) “Relative” means mother, mother-in-law, father, father-in-law, son, son-in-law, daughter, daughter-in-law, sister, sister-in-law, brother, brother-in-law, spouse, domestic or same-sex partner.

- (r) “SDA Board” means the board of Directors of the SDA.
- (s) “State School Aid Act” means the State School Aid Act 94 of 1979, as amended, which is codified at Sections 388.1601 to 388.1772 of the Michigan Compiled Laws.
- (t) “State School Aid” means funds received pursuant to the State School Aid Act.
- (u) “Transparency Reporting” means all documents required to be obtained by the Board and provided to DPSCD.

1.02 *Statutory Definitions.* Statutory terms, used in this Contract, and defined in the Code shall have the same meaning in this Contract.

1.03 *Number and Gender.* The use of any gender in this Contract shall be deemed to be or include the other genders, including neuter, and the use of the singular shall be deemed to include the plural (and vice versa), wherever applicable.

1.04 *Exhibits.* All Exhibits to this Contract are incorporated into, and made part of, this Contract.

1.05 *Attachments.* The Attachments to this Contract, including the Management Agreement, the Lease and staff contracts are not incorporated by reference and not made a part of this Contract. Attachments to this Contract are added as a matter of record keeping and to confirm their non-disapproval by DPSCD. The addition of the Attachments is not intended to make DPSCD a party to any of the contracts in the Attachments.

1.06 *Conflicting Contract Provisions.* In the event that there is a conflict between language contained in the provisions of this Contract, this Contract shall be interpreted as follows:

- (i) the Resolution shall control over any other conflicting language in the Contract; and
- (ii) this Contract shall control over any other conflicting language in the Attachments.

ARTICLE II LEGAL STATUS OF THE STRICT DISCIPLINE ACADEMY

2.01 *Governing Law.* The SDA is a Michigan Strict Discipline Academy, established pursuant to Sections 1311b through 1311m of the Code and shall be subject to the laws and regulations of the United States and the State of Michigan and the policies of DPSCD

applicable to strict discipline academies as they may be established from time to time, except to the extent exempted by law.

- 2.02 *Limitation on Actions to Performance of Governmental Functions.* The SDA shall act exclusively as a Strict Discipline Academy and shall not undertake any action inconsistent with its status as a Strict Discipline Academy under the Code, including, but not limited to, its authorization to receive State School Aid.
- 2.03 *Independent Status of the SDA.* The SDA is not a division or part of DPSCD, and nothing in this Contract shall be construed to create a partnership or joint venture between the parties or to waive any aspect of DPSCD's autonomy or powers.
- 2.04 *Relationship between the SDA and DPSCD.* The relationship between the SDA and DPSCD is based solely on the applicable Code provisions and the terms of this Contract.

ARTICLE III ORGANIZATIONAL STRUCTURE AND GOVERNANCE PLAN

- 3.01 *Non-Profit Status.* The SDA is and at all times shall be organized and operated as a non-profit corporation organized under the Michigan Nonprofit Corporation Act, Act 162 of 1982, as amended, MCL 450.2101, et. seq.
- 3.02 *Method of Selection, Length of Term, and Number of Directors.* The current Directors of the SDA Board are the individuals named on **Exhibit A**, who are each a citizen of the United States. In the event of a vacancy on the SDA Board, whether by resignation, removal or conclusion of a term, the SDA Board, within thirty (30) days of such vacancy, shall present the names and credentials of at least two qualified persons for each vacancy to DPSCD, along with such additional forms, information and certificates required by DPSCD. DPSCD will consider any such candidates presented, along with others that DPSCD may recruit, but is not required to select any candidates presented by the SDA Board. Thirty (30) days after the effective date of the vacancy (whether or not the SDA Board has presented any candidates, with the requisite documentation), DPSCD shall select someone to fill the vacancy. If DPSCD does not make a timely selection, the SDA Board may select one of the two persons presented to fill the vacancy subject to DPSCD further approval. A person selected to fill a vacancy created other than by expiration of a term shall be appointed for the unexpired term of the vacating member. In all cases, the SDA Board is required to satisfy any and all criminal background check requirements of DPSCD and/or the Code and to pay the costs related thereto.
 - (a) Length of Term. The term of each member of the SDA Board shall be three (3) years. Directors continuing on the Board at time of the re-authorization contemplated by this Contract will serve out their remaining terms, subject to their earlier removal, resignation, retirement or death.
 - (b) Removal. DPSCD may terminate the service of any Board member at any time at its sole discretion. The Board may remove a director upon a 2/3 vote of its Directors.

- (c) Number of Directors. The number of Directors of the SDA Board shall (i) not be fewer than five (5) nor more than nine (9) as determined from time to time by the SDA Board with the consent of DPSCD and (ii) be an uneven number. All Directors of the Academy Board shall be citizens of the United States and residents of Michigan.
- (d) Qualifications. To the extent possible, the Directors of the SDA Board shall include at least one representative of the parents of children attending the Academy. Directors of the SDA Board shall not include: (i) employees of the Academy or their Relatives; (ii) owners, directors, officers and employees of a management company that contracts with the Academy or their Relatives; (iii) owners, directors, officers and employees of a company, or a person, who leases property to the Academy or their Relatives, unless the DPSCD Designee consents to such directorship and the lease was approved by a majority of the other Directors; or (iv) executive employees or members of the Board of Education or their Relatives
- (e) Oath. All Directors of the SDA's Board shall take and sign the constitutional oath of office, and shall cause a copy of such oath of office to be filed with the DPSCD Office of Charter Schools. No appointment shall be effective prior to the taking and signing of the oath of office.

3.03 *Articles of Incorporation.* Unless amended pursuant to this Contract, the articles of incorporation of the SDA as set forth in **Exhibit B**, shall be the governing Articles of Incorporation of the SDA.

3.04 *Governance Structure.* The SDA shall be organized and administered under the direction of the SDA Board and pursuant to the governance structure of the SDA, as set forth in the bylaws, attached hereto as **Exhibit C**.

3.05 *DPSCD Approval for Assignments and Transfers.* The SDA may not transfer or assign its rights and responsibilities under this Contract, including by contract, the operation of the SDA, without the prior written approval of DPSCD and a written amendment of this Contract. The terms and provisions of this Contract are binding on and shall inure to the benefit of the parties and their respective successors and permitted assigns.

3.06 *Conflicts of Interest.* All employees and officers of the SDA shall comply with the provisions of the Contracts of Public Servants with Public Entities Act, Act 317 of 1968, as amended, MCL 15.321, *et. seq.* regarding conflicts of interest and the Incompatibility of Public Offices Act, Act 566 of 1978, as amended MCL 15.181, *et seq.* regarding incompatible public offices. In addition, the SDA Board, by approval of this Contract, does hereby adopt the conflict of interest policy on **Exhibit D** attached hereto, which shall apply in all respects to any contract, purchase or obligation of the SDA Board. Any ESP

engaged by the SDA Board shall adopt the conflict of interest policy with respect to its services and actions on behalf of the SDA.

ARTICLE IV OPERATION OF THE STRICT DISCIPLINE ACADEMY

- 4.01 *Nonsectarian and Non-Religious Operation.* To the extent disqualified under the State or Federal constitutions, the SDA shall not have any organizations or contractual affiliation with a church or other religious organization. Nothing in this Section shall be deemed to diminish or enlarge the civil and political rights, privileges, and capacities of any person on account of his/her religious belief.
- 4.02 *Accounting Standards.* The SDA shall at all times comply with generally accepted public sector accounting principles applicable to Michigan strict discipline academies as well as the requirements under Article XI of this Contract.
- 4.03 *Acquisition and Ownership of Property and Borrowing Limitations.* The SDA may, pursuant to Subsection 1311e(9) of the Code, acquire by purchase, gift devise, lease, sublease, or any other means as provided by law, hold and own in its own name, buildings and other property for school purposes, and interests therein, and other real and personal property necessary or convenient to fulfill its educational purposes. The SDA may not levy taxes. Notwithstanding the foregoing, the SDA, only after obtaining the prior written consent of DPSCD, which consent may be withheld for any reason, may incur debt only as follows:
- (a) Short-term: As provided in Section 1311h (e) of the Code, the SDA may incur temporary debt in accordance with Section 1225 of the Code.
 - (b) Long-term: The SDA may enter into installment purchase contracts and related security agreements for any lawful purpose described in Sections 380.1311b through 380.1311m.
 - (c) No contract, mortgage, loan or other instrument of indebtedness entered into by the Academy and a third party shall in any way constitute an obligation, either general, special, or moral, of the State of Michigan or DPSCD. Neither the full faith and credit nor the taxing power of the State of Michigan or any agency of the State, nor the full faith and credit of the DPSCD, shall ever be pledged for the payment of any Academy contract, mortgage, loan or other instrument of indebtedness.
 - (d) The Academy has no authority whatsoever to enter into any contract or other agreement that would financially obligate the State of Michigan or DPSCD, nor does the Academy have any authority whatsoever to make any representations to lenders or third parties that the State of Michigan or DPSCD in any way guarantee, are financially obligated, or are in any way responsible for any agreement, promissory note, contract, mortgage, loan or other instrument of indebtedness entered into by the Academy.

- (e) In no event shall the Academy enter into any financing prior to submitting the documentation related to that financing to DPSCD for review at least fifteen (15) days prior to the anticipated closing date of the financing.
- 4.04 *Contributions and Fundraising.* The SDA may solicit and receive contributions as permitted by law. No solicitation shall indicate that a contribution to the SDA is for the benefit of the Detroit Public Schools.
- 4.05 *Role of Parents and Guardians.* Where applicable, the SDA shall encourage the active participation of parents and guardians in program related to its student body. Parents and guardians may volunteer or be selected to serve on committees established by the SDA Board.
- 4.06 *Condemnation.* The SDA may not take or condemn property.
- 4.07 *Special Education Services.* The Academy shall provide special education and related services required by applicable law.
- 4.08 *English Language Learners.* The Academy shall provide services to English language learners required by applicable law.
- 4.09 *Open Meetings.* The SDA Board shall conduct all of its regular board meetings in accordance with the Michigan Open Meetings Act, Act 267 of 1976, as amended, MCL 15.261 (the “Open Meetings Act”) and shall conduct all meetings pertaining to the Academy (including regular and special board meetings) at the Academy facility.
- 4.10 *Prohibition of Identified Family Relationships.* No person shall be a member of the SDA Board if he or she is: (i) an employee of the Academy or a Relative of an employee of the Academy; (ii) an owner, director, officer or employee of a management company that contracts with the Academy or a Relative of same; (iii) a Relative of a member of the SDA Board; (iv) an owner, director, officer or employee of a company, or a person, who leases property to the Academy or a Relative of same, unless the DPSCD Designee consents to such membership and the lease is approved by a majority of the other board members; or (v) an executive employee or board member of DPSCD or a Relative of same. Additionally, no Relative may occupy a direct supervisory position over another Relative. All Relatives providing services to the SDA Board shall be identified in writing by their respective organizations, by position and company, to the SDA Board and DPSCD and each organization providing services to the Academy shall certify its compliance with this Section. Likewise prohibitions against holding incompatible public office and against

specified conflicts of interest set forth in MCL 15.181 to 15.185 and MCL 15.321 to 15.330, respectively, shall be scrupulously observed.

- 4.11 *Prohibition of Employment in More than One Full-time Position.* No individual shall be employed by or at the Academy in more than 1 full-time position in which he or she is compensated at a full time rate for each of those positions.

ARTICLE V CURRICULUM, INSTRUCTIONAL METHODS, AND PUPIL ASSESSMENT

- 5.01 *Curriculum.* The SDA's curriculum is attached hereto as **Exhibit E**.
- 5.02 *Benchmarks, Academic Assessments, and Indicators of Performance.* As required by Section 1311e(5)(e) of the Code, to the extent applicable, the SDA's students must be assessed using at least the Michigan Student Test of Educational Progress (M-STEP), Michigan Merit Exam (MME), Basic Achievement Skills Inventory (BASI) Test, Ansell-Casey Life Skills Assessment and NWEA Measures of Academic Progress (MAP), or an assessment instrument developed under Section 1279g of the Code, the State School Aid Act or other similar law. Methods of pupil assessment are set forth in **Exhibit F**.
- 5.03 *Determining Educational Success of the SDA.* The SDA's educational success will be determined by evidence of the SDA's progress toward reaching the educational goals set forth in **Exhibit G**. At a minimum, those goals shall be:
- (a) Demonstrated improved pupil academic achievement for all groups of pupils.
 - (b) The data from the BASI and Ansell-Casey pre-tests and post-tests must be reported by May 15 annually to the DPSCD Office of Charter Schools through Epicenter. The report must specify the percentage of students that met the growth targets for each assessment within a cohort. Cohorts will be based on the time period that a student is enrolled in the school. The first cohort will reflect students enrolled for 6 months or longer. The second cohort will reflect students enrolled for less than 3 months.

DPSCD reserves the right to change these minimum goals to comply with new state and federal state requirements or educational industry or pedagogical standards in accordance with the amendment provisions in Section 14.02 herein. The Educational Program is attached as **Exhibit H**.

- 5.04 *Reports to DPSCD.* The SDA shall provide the DPSCD Designee with copies of reports and assessments, at least semi-annually, regarding the educational outcomes achieved by pupils of the SDA showing, at a minimum, the attendance rates for the quarter and the results of any standardized test scores by grade occurring within the quarter, as well as

any reports prepared by or for the SDA that evaluate or summarize the performance of the SDA's pupils or staff and such other information and reports requested by, and in a form acceptable to, the Director of Charter Schools.

ARTICLE VI GRADE LEVELS AND PUPIL ENROLLMENT

- 6.01 *Enrollment Capacity.* The SDA serves students ages 10-19 in grades four (4) through twelve (12). Enrollment shall be limited to the amount allowed by the licenses of the residential facilities associated with the Academy.
- 6.02 *Enrollment of Students. Admission Policy.* The Academy shall comply with all admissions policies and criteria required by laws applicable to strict discipline academies under the Code. The Academy must make a reasonable effort to advertise that a strict discipline academy is being created and adequate information on the admission policy, criteria, and process. If there are more applications to enroll in the Academy than there are spaces available, pupils shall be selected to attend using a random selection process. However, the Academy may give enrollment priority to a sibling of a pupil enrolled in the strict discipline academy. Except for a suspended pupil who is attending the Academy for the duration of the suspension, the Academy shall allow any pupil who was enrolled in the Academy in the immediately preceding school year to enroll in the Academy in the appropriate grade unless the appropriate grade is not offered at the Academy.
- (a) The SDA shall provide documentation to DPSCD annually sufficient to establish that the Academy has made a reasonable effort to advertise its enrollment efforts to all pupils and that the Academy's open enrollment period was for a duration of at least two weeks and permitted the enrollment of pupils by parents/guardians at times that include evenings and weekends.
- 6.03 *Tuition Prohibited.* The SDA shall not charge tuition. The SDA may impose fees and require payment of expenses for its activities where such fees and payments are not prohibited by law.
- 6.04 *Student Enrollment Count.* The SDA will maintain student enrollment count records in a manner that will enable it to provide an electronic file with student enrollment data.
- 6.05 *Student Identification.* The SDA will assign and use student identification numbers in administering state assessments and in meeting other state data reporting requirements. The SDA will follow procedures established by the State Board of Education and the Michigan Department of Education for issuance and record keeping of student identification numbers.

ARTICLE VII SCHOOL CALENDAR

- 7.01 *Continuation of Operations.* The SDA shall perform school operations in accordance with the School Calendar and School Day Schedule, which are attached as **Exhibit I**. For each

year of this Contract, the SDA shall adopt a school calendar no later than April 1st of the prior school year, and shall submit that calendar to the DPSCD Designee no later than May 1st of that year.

- 7.02 *Fiscal Year.* The SDA fiscal year shall be July 1 – June 30 for each school year under this Contract.
- 7.03 *Length of School Day.* For each year of this Contract, the SDA shall approve the length of the school day no later than April 1st of the prior school year.
- 7.04 *Common Calendar.* The SDA shall adhere to the Common Calendar established by Wayne RESA unless the Academy obtains a waiver. If a waiver is obtained, the PSA shall cause such documentation to be filed with the DPSCD Office of Charter Schools within 10 days.

ARTICLE VIII STRICT DISCIPLINE ACADEMY STAFF

- 8.01 *Authorization of Employment.* The SDA may employ or contract with personnel and companies for the operation of the SDA, to prescribe their duties, and to fix their compensation, as permitted by applicable law.
- 8.02 *Status as Employees.* All persons employed to work for the SDA, not including persons employed by an educational service provider (“ESP”) pursuant to Article IX or other authorized subcontractor, are deemed to be SDA employees. **Attachment 2** includes all Academy staff job descriptions. The SDA Board shall provide the DPSCD Designee with all contracts with SDA staff and any amended or additional contracts for employment at the SDA not more than ten (10) business days after such contract is executed. These contracts shall be kept on file with the Office of Charter Schools.
- 8.03 *Board Liaison.* If the Academy employs a Board liaison or contract administrator, it shall specify the role of such individual or entity in **Attachment 2** and include a copy of the Agreement with same.
- 8.04 *Employment Qualifications.* Except as provided in Section 505 of the Code, the SDA shall only employ, or contract with an ESP which only employs, classroom teachers, paraprofessionals, and other personnel who meet the certification and other requirements under state and federal law. The SDA must annually provide DPSCD with documentation sufficient to demonstrate that it has complied with all applicable requirements and staff qualifications, including certifications of teachers, administrators, et al. This documentation must include copies of the applicable State certifications for each teacher, administrator and paraprofessional working at the SDA.
- 8.05 *Employee License or Certification.* The SDA shall assure that persons working in the SDA, including both instructional and non-instructional staff, meet any and all licensing and certification requirements imposed by applicable local, state or federal ordinance, statute, law or regulation. The SDA must annually provide documentation to demonstrate

its compliance with all such requirements, including copies of all required licenses and certifications.

- 8.06 *Criminal Background and Unprofessional Conduct Checks.* The SDA will conduct criminal background and unprofessional conduct checks required by applicable law. The SDA will annually certify its compliance with the requirements of this Section, and, upon the request of DPSCD, will provide copies of all background and unprofessional conduct checks performed.
- 8.07 *Total Compensation.* The Academy Board shall, upon request, report the total compensation of each individual working at the Academy.

ARTICLE IX MANAGEMENT AGREEMENT

- 9.01 *Contract with Educational Service Provider.* The Academy has previously obtained DPSCD’s review of and has placed on file with DPSCD its contractual agreement (the “Management Agreement”) with its ESP and the written opinion of its counsel, addressed to DPSCD, that the Management Agreement complies with all applicable law and this contract “Legal Opinion”). The Management Agreement presented to DPSCD and not disapproved by DPSCD is attached in **Attachment 1**. The name of the Academy’s ESP is: Edtec Central, LLC.
- 9.02 Forty-five (45) days prior to the approval by the SDA Board of the execution of any new management agreement with a different ESP or any subsequent amendment to the Management Agreement, a copy of the execution version of the new management agreement with a different ESP or amendment to the Management Agreement shall be presented to the Director of Charter Schools for review. No new management agreement with an ESP or amendment to the Management Agreement shall be executed by or on behalf of the SDA Board, unless and until DPSCD has indicated in writing that it does not disapprove of such execution.
- 9.03 Every management agreement with an ESP by and between the SDA Board, the current ESP, Edtec Central, LLC, or any new ESP, shall comply with the ESP Requirements which include, but are not limited to all of the following:
- a. In negotiating any Management Agreement, the SDA Board shall budget adequate resources to fulfill its Contract requirements, which may include, but are not limited to: oversight of the ESP, negotiation and fulfillment of the Contract and any amendments, SDA Board personnel expenditures, Academy insurance, annual financial audit, the SDA Board’s legal counsel, consultants and any other such cost necessary for SDA Board operations.
 - b. The SDA Board shall be responsible for determining the budget reserve included in the Academy’s annual budget and any budget amendments. In addition, the

SDA Board is responsible for implementing fiscal requirements that will assist the Academy in attaining the stated budget reserve amount(s).

- c. The Academy must never allow an ESP to have complete control over the Academy, Funds. The Academy must maintain control over the receipt and spending of all Academy Funds. Financial arrangements with ESPs, as described in the Management Agreement, shall be reviewed by DPSCD on a case by case basis. In the event such financial arrangements do not provide the Academy with sufficient control of Academy Funds, as such sufficient control shall be determined in the sole discretion of DPSCD, the Management Agreement containing such arrangements shall be subject to disapproval by DPSCD.
- d. At all times during the term of the Contract, any ESP engaged by the Academy maintains comprehensive general liability and umbrella insurance coverage at levels satisfactory to DPSCD, as set forth in the Contract. The insurance coverage required of the ESP shall not be in lieu of the insurance coverage requirements applicable to the Academy. Any policy of insurance maintained by the ESP 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. The management agreement shall also specify that, in the event DPSCD modifies the level, type, scope or other aspects of such coverage, then the ESP shall undertake like and similar modifications within 30 days of being notified of such change.
- e. The Management Agreement shall provide that the ESP shall comply with the requirements under the Contract.
- f. No provision of the Management Agreement shall interfere with the SDA Board's duties under the Contract, and the Academy's duties under the Contract shall not be limited or rendered impossible by action or inaction of the ESP.
- g. No provision of the Management Agreement shall predetermine the SDA Board's course of action in choosing to assert or not assert governmental immunity.
- h. The Management Agreement shall state that all financial, educational, and student records pertaining to the Academy are subject to and shall be made available in accordance with the provisions of Michigan Freedom of Information Act, Act 442 of 1976, as amended. All such records must be stored, in physical form, on-site at the Academy's Facility or be directly accessible at the Academy Facility. 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 the Academy facility.
- i. The Management Agreement shall state that any equipment and supplies purchased with Academy Funds shall be Academy property.

- j. The Management Agreement shall state that all of the Academy's financial and other ESP-related records will be made available to the Academy's independent auditor and that the ESP staff will cooperate with said auditor, and that the ESP shall not select or retain the Academy's auditor.
- k. The Management Agreement must certify that there shall be no markup of costs for supplies, materials, or equipment procured by the ESP on the Academy's behalf and that all supplies, materials, and equipment procured for the Academy by the ESP shall be inventoried by an acceptable method of inventory and further that an inventory of Academy equipment shall be maintained so that it can be clearly established which property belongs to the Academy.
- l. The Management Agreement shall contain a provision that states upon its termination the ESP shall work for a specified period of time to transition to a new ESP, if any. There may be a reasonable fee set forth in the Management Agreement for this service.
- m. The Management Agreement shall contain a provision that states upon its termination the ESP shall, without charge (i) close the books on the then-current fiscal quarter; (ii) organize and prepare the Academy's records for transition; (iii) organize and prepare student records for transition to the new ESP if any; and (iv) provide for the orderly transition of employee compensation and benefits to the new ESP, if any, without disruption to staffing.
- n. The Management Agreement shall prohibit the ESP from executing contracts with its staff assigned to the Academy (including by way of example and not limitation, teachers administrators, counselors and the like) that contain non-compete agreements of any nature.
- o. The Management Agreement shall state that staff assigned to the Academy by the ESP shall be employees of the ESP and not employees of the Academy.
- p. The Management Agreement shall require the ESP to have a written conflict of interest policy and prohibit the ESP from executing contracts with any third party for services to be provided to or on behalf of the Academy where there is a conflict of interest.
- q. The Academy Board and the ESP may not amend any Management Agreement without complying with the requirements of Article IX of the Contract and the ESP Requirements. No amendment shall be contrary to the ESP Requirements and each shall be accompanied by a Legal Opinion. No Amendment shall be effective until DPSCD notifies the Academy that it does not disapprove of such amendment.
- r. Every Management Agreement shall contain the following provision:

“Indemnification of DPSCD. In consideration for the grant of this Contract to the Academy, which is of material value to [the ESP], the parties hereby promise to indemnify and hold harmless DPSCD and its Board of Education (collectively and individually), 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’ approval of the Application, Board of Education’s consideration of or issuance of a 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 of Education (collectively and individually), officers, employees, agents or representatives upon information supplied by the Academy or the Education Service Provider, or which arise out of the failure of the Academy to perform its obligations under the Contract issued to the Academy by Board of Education. [The ESP] expressly acknowledges and agrees that DPSCD and its Board of Education (collectively and individually), officers, employees, agents or representatives may commence legal action against [the ESP] to enforce its rights as set forth in this Agreement.”

- s. The Management Agreement shall require all ESP employees to undergo criminal background and unprofessional conduct checks required by the Sections 1230 and 1230a of the Code (MCL 380.1230 and MCL 380.1230a), or other similar future law.
- t. The Management Agreement shall contain a provision requiring the ESP to make information available to the Academy as deemed necessary by the SDA Board in order to enable the Academy to fully satisfy its Transparency Reporting under this 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 and any other year for which such information is available as the SDA Board may request.
- u. The Management Agreement must provide that no ESP employee shall be designated as the “Chief Administrative Officer,” as that term is defined in Section 2b(3) of the Uniform Budgeting and Accounting Act, Act 2 of 1968, as amended, Act 2 of 1968, as amended MCLA 141.421 *et seq.*
- v. The Management Agreement must provide that the ESP shall notify the SDA Board if any principal or officer of the ESP, or the ESP (including any related organizations or organizations in which a principal or officer of the ESP 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.
- w. The Management Agreement must contain a provision providing for the early termination or amendment of the Management Agreement, with no cost or penalty to the Academy, and no recourse to DPSCD or any third party affiliated with or engaged by DPSCD, by the ESP or any subcontracted person or entity of the ESP,

in the event DPSCD determines to exercise its prerogative under this Contract to require the termination or amendment of the Management Agreement.

- x. Each Management Agreement shall contain an acknowledgement by the ESP that DPSCD shall review any and all proposed management agreements, and no management agreement shall be effective until the Academy is notified in writing that DPSCD does not disapprove of such management agreement.
- y. The Management Agreement shall contain a covenant by the ESP that it shall do all things reasonably and professionally required to prevent the Academy finances from experiencing any operating or fund balance deficits and shall do all things reasonably and professionally required to keep the Academy solvent.
- z. The Management Agreement shall require the ESP to comply with Sections 1267 and 1274 of the Code and any other statute requiring competitive bidding by public school academies.

ARTICLE X ACADEMY FACILITIES

- 10.01 *Locations of Operation.* The SDA shall operate at the following locations and no others without the written consent of DPSCD: 3500 John R. Street, Detroit, Michigan 48201; 15255 Mayfield, Detroit, MI 48205; and 1326 St. Antoine, Detroit, Michigan 48226 (each a “Facility”, collectively the “Facilities”).
- 10.02 *Description of the Facilities.* The SDA represents that the descriptions set forth in **Exhibit J**, attached hereto and made a part of this Contract, are current and accurate descriptions of the Facilities. **Exhibit J** shall include a description of each Facility, including the site plan. Copies of the lease or other agreement under which the Academy enjoys occupancy of each Facility and any other documents required by DPSCD shall be submitted to DPSCD on or before August 1, 2017.
- 10.03 *Right of Occupancy and Use.* **Exhibit K** hereto is a copy of the current occupancy and use licenses (i.e., occupancy permit) that confirms the SDA's right to occupy and use the physical plant for lock-down residential child caring institutions. *Section 10.5 Compliance with Applicable Law*
The SDA represents that the Facilities comply with all applicable building, fire and safety, and zoning codes. **Exhibit L** also includes copies of all required Michigan fire safety inspections of the Facilities.
- 10.04 *Notice of Material Changes.* The SDA will notify the DPSCD Designee not more than five (5) business days following any material changes in the availability or condition of either Facility, such as through flood, fire, or other unanticipated circumstance. The SDA will notify the DPSCD Designee not more than five (5) business days following any allegation that the SDA or the lessor has breached any lease agreement concerning either Facility
- 10.05 The lease, ownership or control of the Facilities by the ESP, or any company affiliated with the ESP, is strictly prohibited.

**ARTICLE XI
BUDGET, FINANCIAL PLANS, AND AUDITS**

- 11.01 *Fiscal Agent.* Pursuant to Section 13111 of the Code, DPSCD is the fiscal agent of the State of Michigan for the SDA. In accordance with the provisions of the Subsection 13111 of the Code, DPSCD shall forward to the SDA, all State School Aid funds received by DPSCD for the benefit of the SDA, provided there has been no revocation of this Contract; and further provided that DPSCD has not been directed by the Michigan Department of Education to withhold payment of any State School Aid to the SDA, and subject also to any contractual right DPSCD may have to withhold a portion of any State School Aid as payment for rent or fees for any services provided to the Academy by DPSCD.
- 11.02 *Annual Audit.* The SDA shall conduct an annual audit by a certified public accountant in accordance with generally accepted governmental accounting principles and in accordance with laws and regulations applicable to public schools and strict discipline academies in Michigan. The SDA shall transmit a copy of the audit and any management letter to DPSCD concurrently with the SDA's filing of such audit to the Michigan Department of Education.
- 11.03 *Budget and Accounting.* The SDA shall establish an annual budget in accordance with the requirements of applicable law.
- 11.04 *Inspection and Review.* The SDA shall permit inspection of its records and/or review of its fiscal operations at any time during normal business hours by DPSCD's office of internal audit or others as may be designated.
- 11.05 *Insurance.* The SDA shall maintain insurance policies as described below:
- (a) The insurance must be obtained from a mutual, stock, or other responsible company licensed to do business in the State of Michigan. The SDA may join with other strict discipline academies to obtain insurance if the SDA finds that such an association would provide economic advantages to the SDA.
 - (b) During the term of this Contract, the SDA shall maintain insurance coverage as follows:

POLICY TYPE	MINIMUM COVERAGE REQUIREMENTS
<i>Commercial Property Policy</i> This shall be an all risk policy covering real and personal property of the SDA both on premises and in transit. Replacement cost coverage is preferred but shall in no circumstances be less than actual cash value based.	At least actual cash value of the SDA's real and personal property on premises and in transit.
<i>Comprehensive General Liability</i>	\$1,000,000

This shall include, but not be limited to, personal injury and property damage for premises and operations product liability, fire legal liability, non-owned automobile and contractual liability. The Detroit Public Schools must be named as an additional insured with a minimum 30-day notice of cancellation provision.	
<i>Automobile Liability/Statutory No-Fault</i> This coverage must be provided on all licensed vehicles owned, leased, or rented by the SDA.	\$500,000
<i>Umbrella Excess Liability</i> This coverage must provide a minimum of follow form excess liability coverage.	\$2,000,000
<i>Workers Compensation</i> Statutory benefits for the State of Michigan. This coverage must provide wage and medical benefits of work-related injuries and employer's liability coverage.	As required by Michigan law Employer's Liability coverages of \$500,000
<i>Employee Fidelity Bond or Equivalent</i> This policy must include, but not be limited to, employee theft, forgery, burglary, and robbery both on and off premises.	\$250,000/\$500,000
<i>SDA Board Directors Liability</i> This policy should cover the SDA Board, executive staff, and employees for "wrongful acts" errors or omissions not typically covered by general liability policies.	\$1,000,000 (Suggested but not required)

- (c) Insurance certificates documenting the purchase of the required insurance are attached as **Exhibit M**.
- (d) The SDA shall name DPSCD as an additional insured on each insurance policy that permits it.

11.06 *Indemnification.* The SDA agrees to indemnify, hold harmless and defend DPSCD and DPSCD' officers, employees, agents, attorneys and those acting on behalf of their officers, employees, attorneys and agents from any and all claims, actions, expenses, damages, and liabilities, including costs and attorney's fees for the defense of any of them, incurred as a result of or in connection with issuing or performance under this Contract, including but

not limited to claims arising out of, connected with, or resulting from the following, listed by way of example, not limitation:

- (a) The negligence, intentional wrongful act, misconduct or culpability of the SDA's officers, employees, ESP, ESP staff, contractors, lessors, or other agents in connection with and arising directly or incidentally from the operations of the SDA;
- (b) The SDA's material breach of this Contract or any law, regulation, or ordinance;
- (c) Any failure by the SDA to pay employees, suppliers, lenders, creditors, or other contractors;
- (d) The hiring, supervision, or discipline of any officer, employee, or agent of the SDA or the ESP;
- (e) The obligations of the SDA under local, State or Federal law;
- (f) Damages to any person or property in and around the SDA's premises; and
- (g) The infringement of patent, trademark, copyrights or other intellectual or proprietary rights in any material, process, machine, or appliance used in the operation of the SDA.

11.07 *Terms of Insurance and Indemnification.* The SDA agrees that the insurance described in Section 11.05 and the duty to indemnify described in Section 11.06 shall continue in force and effect notwithstanding the expiration of this contract or any renewal term

11.08 *Notice of Claims.* The SDA and DPSCD will make a good faith effort to advise the other of any actual or potential claims subject to the indemnification provision in Section 11.06 above, but failure to do so shall not invalidate the indemnification provision. Neither the SDA nor DPSCD shall settle or compromise any claim or suit subject to the indemnification provision without notice to the other.

ARTICLE XII COMPLIANCE WITH LAW

12.01 *Generally.* The SDA shall comply with the Constitution of the State of Michigan; all local, federal and state laws and constitutional provisions that prohibit discrimination on the basis of age, disability, race, color gender, national origin, religion, sexual orientation, or ancestry, and the regulations adopted pursuant to those laws; the Code, the state statutes specified in Section 1311(e) of the Code, and the State School Aid Act, and the rules and guidelines adopted pursuant to those statutes; and any other federal, state or municipal law applicable to public bodies, strict discipline academies, or school districts, and shall ensure that all SDA directors, officers, management company, contractors, teachers,

administrators, staff, parents, and pupils are advised of and agree to comply with all relevant provisions of the Code and other applicable law.

12.02 *Specific Assurances.* The SDA specifically acknowledges its obligations to abide by each of the following, including implementing rules and regulations, as they may be amended from time to time:

- (a) The nondiscrimination requirements applicable to recipients of federal funds in Title VI of the Civil Rights Act of 1964 and Title IX of the Education Amendments of 1972;
- (b) Title VII of the Civil Rights Act of 1964;
- (c) The Family and Medical Leave Act of 1993;
- (d) The Age Discrimination Act of 1975 and the Age Discrimination in Employment Act of 1967;
- (e) The Individuals with Disabilities Education Act of 1990;
- (f) Title II of the Americans with Disabilities Education Act of 1990;
- (g) Section 504 of the Rehabilitation Act of 1973;
- (h) The State School Aid Act;
- (i) Section 1751 of the Code regarding special education programs and services;
- (j) The ESEA and its implementing regulations (incl. EDGAR);
- (k) The ESSA and its implementing regulations;
- (l) The Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g;
- (m) The Public Employment Relations Act, Act 336 of 1947, as amended;
- (n) The Prevailing Wages on State Projects Act, Act 166 of 1965, as amended; and
- (o) The Code.

12.03 *Open Meetings Act.* The SDA Board shall conduct all of its meetings in accordance with the Open Meetings Act.

12.04 *Freedom of Information Act.* The records of the SDA shall be records subject to the provisions of the Michigan Freedom of Information Act, Act 442 of 1976, being MCL Sections 15.231 to 15.246. The SDA shall ensure that any ESP engaged by it agrees that

such ESP's records, as they relate to the SDA, shall also be subject to the Freedom of Information Act and shall be maintained on the premises of the SDA.

- 12.05 *Competitive Bidding.* The SDA shall comply with Sections 1267 and 1274 of the Code and any other statute requiring competitive bidding by strict discipline academies. The SDA shall ensure that any management company it engages complies with all competitive bidding requirements imposed on strict discipline academies districts for purchases of items on behalf of or for use at the SDA. The SDA shall maintain all records of competitive bidding for at least two years and provide DPSCD with copies of any such records upon request.
- 12.06 *Other Statutes Specified in Section 1311(e)(6).* The SDA shall comply with the requirements of the other state statutes listed in Section 1311(e), including, but not limited to Sections 1134, 1135, 1146, 1153, 1263(3) of the Code.
- 12.07 *Notice of Judicial or Administrative Proceedings.* The SDA shall notify DPSCD' Office of the General Counsel and Office of Charter Schools in writing and within three (3) business days of the SDA being notified that is has been named as a party in any court proceeding or arbitration or as the subject of any administrative enforcement proceeding alleging any of violation of law arising from the operation of the SDA.
- 12.08 *Transparency Reporting.* The Academy shall collect, maintain, and make information concerning its operation and management available to the public and as required by state law, including at least the following:
 - (a) a copy of this Contract and all attachments, schedules and amendments;
 - (b) a list of all currently serving members of the Academy Directors, including their names, addresses, and terms of office;
 - (c) copies of all policies approved by the SDA Board;
 - (d) all board materials, agendas, formal resolutions and minutes (excluding minutes kept of closed sessions maintained according to the Open Meetings Act) of all regular and special meetings of the SDA Board;
 - (e) a copy of the budget, and any amendments thereto, approved by the Directors;
 - (f) copies of all bills paid for amounts of \$10,000.00 or more in the form that they are submitted to the SDA Board;
 - (g) quarterly financial reports submitted to the DPSCD Designee;
 - (h) a current list of all teachers and school administrators working at the Academy, including their individual salaries (as submitted to the registry of educational personnel), copies of their teaching or school administrator's certificates or

permits (as applicable), evidence of compliance with the criminal background and unprofessional conduct checks required by the Code;

- (i) copies of all leases or other contracts for equipment used at the Academy;
- (j) copies of all management or service contracts approved by the Directors;
- (k) all health and safety reports and certificates, including those relating to fire safety, environmental matters, asbestos inspections, boiler inspection and food service;
- (l) any management letters issued as part of the Academy's annual audit;
- (m) within 20 days after the SDA Board is informed by the Michigan superintendent of public instruction that the Academy has been identified as one of the 5% lowest performing schools in the State of Michigan as described in Section 1280 of the Code, the Academy shall post a notice of the status of each school it operates on the homepage of its website; and
- (n) all other information required by applicable law.
- (o) For purposes of this Section of this Agreement, availability to the public shall mean that, unless required to be posted on the Academy's website or elsewhere by applicable law, the Academy shall post all documents required by this Section in the locations recommended by that certain memorandum of the Michigan Department of Education to Public School Academies dated February 29, 2012, as updated and attached hereto as **Exhibit N**.

12.09 *Maintenance of Records.* The SDA shall maintain all documents and records to the extent and for the duration required by applicable law.

12.10 *Facility Signage.* The SDA shall conspicuously display signage at the Facilities and on all letterhead stating that the SDA is authorized by DPSCD. The wording upon such signage and letterhead shall read: "A Detroit Public Schools-authorized charter school."

12.11 *Certified Staff.* The Academy shall use only certified staff, including teachers, business officials and administrators, unless permitted to use staff without certifications, and then only in accordance with applicable law.

ARTICLE XIII OVERSIGHT OF THE STRICT DISCIPLINE ACADEMY

13.01 *SDA Responsibilities.* The SDA and any ESP engaged as described in Section 8.02 of this Contract must provide to DPSCD, in the manner and pursuant to the timing specified by DPSCD, any and all documentation necessary to demonstrate the SDA's compliance with the terms of the Contract and all applicable local, State and Federal law, including, but not limited to, the documentation specifically required in this Contract, as well as any

additional documentation that DPSCD may hereafter in its sole discretion deem necessary for DPSCD to perform its statutory oversight duties.

- 13.02 *DPSCD Responsibilities.* DPSCD shall take such actions as it deems necessary to provide the oversight required of an authorizing body or fiscal agent under the Code. DPSCD may, at its discretion, periodically direct its Office of Internal Audit, or other designee, to conduct a review of the records and/or operations of the SDA to determine compliance with all applicable regulations, terms and conditions of this Contract, the Code, and any other applicable laws, and regulations. DPSCD may, at its discretion, and with or without notice to the SDA, designate agents or employees to enter the premises of the SDA during normal business hours or other agreed upon time, on a scheduled or unscheduled basis, to determine whether the SDA is operating in compliance with law and the terms of this Contract. The SDA agrees to cooperate with, and shall ensure that any ESP, contractors, agents or employees working at or for the SDA shall cooperate with the DPSCD in carrying out its responsibilities as an authorizing body or in furtherance of its rights under this Contract or applicable law.
- 13.03 *Administrative Fee.* The SDA agrees that DPSCD may deduct an annual oversight and auditing expense of three percent (3%) of the per-pupil allocation funds that the SDA is entitled to receive pursuant to the State School Aid Act.

ARTICLE XIV

TERM, MODIFICATION, AND TERMINATION/REVOCAION OF THE CONTRACT

- 14.01 *Term and Renewal.* This Contract is effective as of the date first written above and will terminate on June 30, 2022, unless terminated earlier as provided herein. This Contract may be renewed for an additional period of time, as agreed between the parties, by mutual written agreement of DPSCD and the SDA, following an assessment of the Academy's progress in meeting the objectives of its academic program and educational goals, including those standards set forth in Article V of this Contract. The SDA must provide a written request for a renewal of this Contract no later than September 1st of the final year of this Contract. DPSCD shall, in its sole discretion, determine whether a renewal shall be granted. DPSCD reserves the right to not renew this Contract for any reason or for no reason. The most important factors that DPSCD will consider when making its renewal decision will be (a) increases in academic achievement for all groups of pupils as measured by assessments and other objective criteria, (b) a record of timely annual compliance with DPSCD, state and federal reporting requirements, (c) financial stability and viability, (d) facilities satisfactory to the DPSCD Office of Charter Schools, and (e) enrollment sufficient to sustain a quality program.
- 14.02 *Amendments.* This contract may be amended by written and agreement of DPSCD and the SDA. DPSCD may also request amendment of this Agreement at any time, which the

SDA Board shall approve at its next regularly scheduled meeting or the expiration of 30 days, whichever occurs first.

14.03 *Termination by Agreement of Parties.* At any time and upon the approval of the SDA Board and the Director of Charter Schools, the parties may agree in writing to terminate this Contract prior to the date of termination specified in Section 14.01 above.

14.04 *Grounds for Termination or Revocation.* DPSCD may terminate or revoke this Contract upon a determination, pursuant to the procedures set forth in Section 14.05 below, that one or more of the following has occurred:

- (a) Failure of the SDA to abide by and meet the educational goals set forth in this Contract; including the requirements of Article VI, Section 6.03, including failure to demonstrate improved pupil academic achievement for all groups of pupils;
- (b) Failure of the SDA to comply with all applicable law;
- (c) Failure of the SDA to meet generally accepted public sector accounting principles or demonstrate sound fiscal stewardship;
- (d) Insolvency or bankruptcy of the SDA or the failure of the SDA to pay its debts as they become due;
- (e) Insufficiency of the SDA's enrollment to support the SDA's successful operation;
- (f) Any material changes in state funding for the SDA such that, in DPSCD' sole discretion, continuation of the SDA's operation would be infeasible, uneconomical, or impractical;
- (g) The SDA's default in the payment of fees under any other agreement or contract for services provided to the SDA, which default remains uncured for a period of thirty (30) business days;
- (h) Failure of the SDA to cure a material breach of this Contract;
- (i) Provision by the SDA of false or inaccurate information on the Application, this Contract, or other materials submitted to DPSCD;
- (j) Refusal by the SDA to provide information and documents required under this Contract or to provide access to the SDA facility, documents or records;
- (k) Any academic reason deemed appropriate by DPSCD, in its sole discretion, including placement on the Michigan Department of Education's persistently low achieving list and operation in its second year of restructuring as provided in MCLA 380.1280c; and
- (l) Any other reason permitted by law.

14.05 *Procedures for Termination or Revocation.* DPSCD shall not revoke this Contract unless all of the following procedures have been followed:

- (a) Notice of Charges. The Director of DPSCD Office of Charter Schools shall advise the SDA Board in writing of a preliminary review by a DPSCD Designee that grounds for revocation may exist.
- (b) The notice shall provide the names and addresses of individuals charging the SDA with failure to comply with this Contract and shall set forth the alleged grounds in sufficient detail for the SDA to respond.
- (c) The SDA shall have ten (10) business days to respond in writing to the Director of Charter Schools specifically addressing the charges set forth in the notice.
- (d) Investigating of Charges and Report. The Director of Charter Schools shall conduct an investigation to determine whether grounds for revocation or termination of the Contract exist. A final report with recommendation for termination or revocation, if applicable, will be filed with the School Board or its Designee and delivered to the SDA.
- (e) Decision by the School Board or its Designee. After receiving the report of the Director of Charter Schools, DPSCD or its Designee shall determine whether the Contract shall be revoked or terminated and shall provide written notification of his/her decision to the SDA.

14.06 *Authority and Finality of DPSCD' Decisions.* A decision by DPSCD to terminate, revoke or not to renew this Contract is solely within DPSCD' discretion and is final. DPSCD' termination, revocation or decision not to renew this Contract is not subject to review by a court or any state agency. DPSCD is not liable to any party for its action in terminating, revoking or not renewing this Contract to the SDA, a pupil of the SDA, the parent or guardian of any pupil of the SDA, or any other person, including any ESP, contractor or agent of the SDA.

14.07 *SDA's Responsibilities upon Termination, Revocation or Non-Renewal.*

- (a) If the Contract is terminated, revoked or not renewed, the SDA shall be solely responsible for any and all debts, loans, and obligations incurred at any time by the SDA in connection with the operation of the SDA. In the event of a termination, revocation or non-renewal, within thirty (30) days of notice of such termination, revocation or non-renewal, the Academy shall deposit into a separate Academy account (the "Academy Dissolution Account") the sum of Ten Thousand Dollars (\$10,000) per month, for total not to exceed Thirty Thousand Dollars (\$30,000), to be used exclusively for the costs associated with the wind-up and dissolution responsibilities of the Academy. If the Academy has any state aid payments scheduled to be received after notice of termination, revocation or non-renewal, the Academy immediately shall provide DPSCD, in the form and manner determined by the DPSCD, with such account detail information and

authorization to enable DPSCD to direct such funds to the Academy Dissolution Account. In the event that the Academy fails to establish the required account, DPSCD, as fiscal agent, is hereby authorized to establish an Academy Dissolution Account out of any remaining Academy state aid in its possession or to be received on behalf of the Academy, to satisfy the provisions of this section.

- (b) As required by Section 1618b of the State School Aid Act, if this Contract is terminated, revoked or not renewed, or if the SDA has been otherwise ineligible to receive state school aid funds for a period of at least three (3) consecutive months, the SDA must transfer to the State all property that was substantially acquired using state school aid funds.
 - (i) Property required to be transferred includes title to all real and personal property, interests in real or personal property, and other assets owned by the SDA that were substantially acquired through state school aid funds.
 - (ii) Transfer of property as required by Section 1618b of the State School Aid Act does not impose any liability on the State of Michigan, any State agency, or DPSCD for any debt incurred by the SDA.

14.08 *Final Obligations.* Termination, revocation or non-renewal of this Contract shall not relieve the SDA from any of its duties to prepare a final audit or comply with any statute, law or applicable regulation.

14.09 *Notification by State.* If the Academy is notified by the State that the Academy will be placed in the State School Reform/ Redesign School District pursuant to Section 1280c of the Code, then the Authorizing Body may terminate this Contract at the end of the current school year.

14.10 *Notification by Superintendent of Public Instruction.* If DPSCD is notified by the Superintendent of Public Instruction that the Academy is subject to closure under Part 6A of the Code (“State’s Automatic Closure Notice”), then this Contract shall automatically terminate at the end of the current school year in which the notice is received without any further action of DPSCD or the Academy. Following receipt of the State’s Automatic Closure Notice, DPSCD shall forward a copy of the State’s Automatic Closure Notice to the Academy Board and request a meeting with Academy Board representatives to discuss the Academy’s plans and procedures for wind-up and dissolution of the Academy corporation at the end of the current school year. Immediately upon receipt of the State’s Automatic Closure Notice, the Academy shall establish the Academy Dissolution Account referenced in Section 14.07.

14.11 *Issuance of Order.* The issuance of an order by the Superintendent of Public Instruction, pursuant to section 1280c of the Code, placing the Academy under the supervision of the State School Reform/Redesign Officer, shall constitute a material breach of this Contract. Following the issuance of the order, DPSCD shall notify the Academy of the material

breach and request a meeting with Academy Board representatives to discuss the matter. To remedy the material breach, the Academy shall work toward the development of a corrective action plan that is acceptable to DPSCD. In addition to other matters, the corrective action plan shall include the Academy's redesign plan prepared pursuant to section 1280c of the Code. The development of a corrective action plan under this Section shall not in any way limit the rights of DPSCD to terminate, suspend or revoke this Contract.

14.12 *Corrective Action by Order of Reconstitution.* In addition to, or in lieu of, any provisions herein, DPSCD, in its sole discretion, may issue an Order of Reconstitution requiring the Academy to undertake a plan of corrective action in order to avoid revocation of its Contract ("Corrective Action"). The plan of Corrective Action may include (but shall not be limited to) cancellation of the Academy's contract with its ESP, withdrawal of DPSCD's approval of the ESP Agreement, termination of one or more Academy Directors' service, appointment of a new member or members to the Academy Board of Directors, or designation of a trustee or receiver to take over the operation of the Academy. In the event a Corrective Action plan is undertaken, the following steps will be observed:

- (a) DPSCD will notify the Academy, in writing, of the specific educational performance or operational issues that it deems failing at the Academy and its intent to revoke the Academy's Contract if the issues are not corrected by a date certain, which will be no earlier than 120 days (absent exigent circumstances) after the date of the notice;
- (b) Within thirty days after receipt of the notice described above, the Academy shall respond to DPSCD with any information that the Academy Board of Directors deems relevant to the issues and a plan of correction;
- (c) If DPSCD approves of the plan of correction, it shall be implemented and the Contract shall be amended accordingly; if DPSCD disapproves the plan of correction, it may implement corrective action in a manner that it, in its sole discretion, deems appropriate to the situation or continue with the revocation of the Contract as it sees fit.

For good cause, DPSCD may extend the deadlines set forth above. The issuance of the termination letter shall automatically terminate this Contract without any further action by either party. Upon issuance of the termination letter, DPSCD shall notify the Superintendent of Public Instruction, the Michigan Department of Education, the Michigan Finance Authority (if applicable) or the successors that the Contract has been terminated.

ARTICLE XV

REQUIRED DELIVERY OF CERTAIN DOCUMENTS

15.01 No later than the effective date of this contract, the Academy shall provide to DPSCD a copy of its executed use license with DBI, and by July 31, 2017, the Academy shall provide to DPSCD a copy of its executed use license with Wayne County.

15.02 If the documents listed in 15.01 above are not delivered by the dates listed, this Contract shall be null and void, in which case the Academy must proceed in accordance with Section 14.07, as if this Contract had been terminated.

15.03 DPSCD shall notify the Academy in writing of its receipt of the documents listed in this Article XV.

**ARTICLE XVI
GENERAL TERMS**

16.01 *Notices.* Any and all notices permitted or required to be given hereunder shall be deemed duly given: (i) upon actual delivery, if delivery is by hand; or (ii) upon receipt by the transmitting party of confirmation or answer back if delivery is by email, or facsimile; (iii) upon delivery into United States mail if delivery is by postage-paid registered or certified mail, with return receipt requested; or (iv) upon delivery by a nationally recognized overnight delivery service. Each such notice shall be sent to the respective party at the address indicated below or at any other address the party may designate by notice delivered pursuant hereto: \

(a) If to DPSCD Designee:

Detroit Public Schools Community District
Office of Charter Schools
Fisher Building, 9th Floor
3011 West Grand Boulevard
Detroit, Michigan 48202
Attn: Director of Charter Schools - Office of Charter Schools

Copy to:

Detroit Public Schools Community District
Fisher Building, 10th Floor
3011 West Grand Boulevard
Detroit, Michigan 48202
Attn: Office of the General Counsel

(b) If to Academy:

Capstone Academy Charter School
3500 John R. Street
Detroit, Michigan 48201

- 16.02 *Interpretation, Enforcement, Validity, Construction and Effect.* This Contract shall be governed and controlled by the laws of the State of Michigan as to its interpretation, enforcement, validity, construction, and effect, and in all other respects.
- 16.03 *Captions.* The captions and headings used in this Contract are for convenience only and shall not be used in construing the provisions of this Contract.
- 16.04 *Non-Waiver.* Except as provided herein, no term or provision of the Contract shall be deemed waived and no breach or default shall be deemed excused, unless such waiver or consent shall be in writing and signed by the party claimed to have waived or consented. No consent by any party to or waiver of, a breach or default by the other, whether expressed or implied, shall constitute a consent to, waiver of, or excuse for any different or subsequent breach or default.
- 16.05 *Force Majeure.* If any circumstances occur that are beyond the control of the parties and that delay or render impossible performance of the obligations of one or both of the parties, the parties' obligations to perform such services shall be postponed for an equivalent period of time or, if such performance has been rendered permanently impossible by such circumstances, shall be canceled.
- 16.06 *Severability.* If any provision in this Contract is held to be invalid or unenforceable, it shall be ineffective only to the extent of the invalidity, without affecting or impairing the validity and enforceability of the remainder of the provision or the remaining provisions of this Contract.
- 16.07 *Counterparts.* This Contract may be executed in any number of counterparts. Each counterpart so executed shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.
- 16.08 *Access to Copies of the Contract.* The SDA agrees to make copies of this Contract available for public inspection at its administrative offices during normal business hours.
- 16.09 *DPSCD Immunity.* Except as otherwise set forth in the Code, pursuant to Section 503(8) of the Code, the decision of DPSCD to issue, not issue, or reconstitute this Contract, or to terminate or revoke this Contract, is solely within the discretion of DPSCD, is final, and is not subject to review by a court or any state agency. By issuing, not issuing, or terminating or revoking this Contract, DPSCD is not liable for that action to the Academy,

any pupil of the Academy, the parent or guardian of a pupil of the Academy, or any other person.

16.10 *Entire Contract.* This Contract, sets forth the entire agreement between DPSCD and the SDA with respect to the subject matter of this Contract.

16.11 *Contract Submission to MDE.* DPSCD shall submit this Contract to the Michigan Department of Education within ten days of issuance.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed by their respective and duly authorized officers as of the day and year indicated herein.

CAPSTONE ACADEMY CHARTER SCHOOL

DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT

By: Mary Z. Johnson

By: -

Its: President

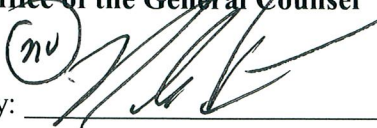
Its: -

Dated: June 28, 2017

Dated: -

Superintendent
June 28, 2017

**DPS Approved as to Form:
Office of the General Counsel**

(nu) 

By: _____
Name:
Title:

Phyllis Hurks-Hill
General Counsel

Phyllis Hurks-Hill
General Counsel

I certify that Capstone Academy Charter School will comply with all federal and state laws, rules, and the terms of this Contract.

By: Mary Z. Johnson

Its: Academy Board President

Date: June 28, 2017