

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is made and entered into as of the 1st day of January 2024 by and between **ITS EDUCATION MANAGEMENT GROUP, LLC**, a Michigan limited liability company ("ITSEMG"), and **BLENDED LEARNING ACADEMIES** (the "Academy"), a Michigan public school academy organized under the Revised School Code (the "Code").

WHEREAS, The Academy is a public school academy to be located at 1754 E. Clark Road, Lansing, MI 48906 authorized pursuant to a contract (the "Contract") issued by the Board of Regents of Ferris State University ("University Board"); and

WHEREAS, The Academy operates under the direction of its Board of Directors ("Board"); and

WHEREAS, ITSEMG is a Michigan limited liability company which will provide for educational and managerial services to the Academy; and

WHEREAS, ITSEMG, through the educational and managerial services it provides, will implement a comprehensive educational program and management methodologies for the Academy, and

WHEREAS, the Board desires to engage ITSEMG to provide certain services related to the Academy's educational program and operations.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

ARTICLE I CONTRACTUAL RELATIONSHIP

A. Authority. The Academy has been granted a Contract by the University Board to organize and operate a public school academy pursuant to the terms and conditions set forth in the Contract and related attachments. The Board is authorized to enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy. Provided that no provision of such a contract shall be effective to the extent it conflicts with the Board's statutory prerogatives and duties or the terms of the Contract.

B. Contract. Acting under and in the exercise of such authority, the Board hereby contracts with ITSEMG, to the extent permitted by law, for specified functions relating to the provision of educational services and the management and operation of the Academy; provided, that this Agreement is subject to all of the terms and conditions of the Contract. The Contract shall be deemed incorporated herein by reference. In the event of any inconsistency between the provisions of the Agreement and the provisions of the Contract, the provisions of the Contract shall prevail.

C. Status of the Parties. ITSEMG is a Michigan limited liability company, and is not a division or 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 ITSEMG. The relationship between ITSEMG and the Academy is based solely on the terms of this Agreement. Except as it regards to indemnification agreed to between the parties as described herein, ITSEMG will be solely responsible for its acts and the acts of its agents, employees and subcontractors. The parties to this Agreement intend that the relationship between them created by this Agreement is that of an independent contractor. No employee of ITSEMG shall be deemed to be an agent or employee of the Academy, except as follows:

1. The Board may by resolution designate an officer or employee of ITSEMG, as may be mutually agreed upon by ITSEMG and the Academy, to serve to assist the chief administrative officer of the Academy and to perform the duties of the CAO under the Uniform Budgeting and Accounting Act, MCL 141.421 et. seq., and to provide oversight of other contractors of the Academy, as designated by the Board from time to time.
2. Employees and contractors of ITSEMG shall, by separate resolution of the Board designating such staff and certifying their legitimate educational interest, be permitted access to educational records under 20 U.S.C. § 1232g, the Family Educational Rights and Privacy Act ("FERPA"), provided the Academy disseminates the notice required pursuant to FERPA and its related regulations.
3. As otherwise expressly designated by written resolution by or agreement with the Board.

ARTICLE II

TERM

A. Term. Except as otherwise provided in this Agreement, this Agreement shall become effective July 1, 2024 and shall cover five academic years commencing on September 2, 2024 and ending on June 30, 2029 (the "Term"), subject to continuation of the Contract through the term anticipated herein from the University Board and further subject to continued receipt by the Academy of State School Aid sufficient to discharge its obligations incurred hereunder. The Contract from the University Board is effective through June 30th 2029 and the parties recognize that during the Term or the reauthorization process the University Board may condition an extension or reauthorization of the Contract upon a renegotiation of the Agreement to bring it into conformity with the Contract and applicable law. Either party may cancel/terminate this Agreement with or without cause by giving notice to be effective not sooner than July 1, 2024 or any time thereafter by giving 90 days prior written notice.

B. Renewal Consideration. In the event that the parties do not mutually agree to extend this Agreement beyond its expiration date, the parties shall cease to be obligated by the terms and conditions recited herein as of midnight, June 30 of the last effective year of this Agreement and

shall have no further responsibility or liability to the other. In the event that the Board and ITSEMG do not renew this agreement at the end of its term, and (1) there are no disputes between the parties that would, in ITSEMG's reasonable discretion, render it impossible to do so and (2) the Academy makes a written request to ITSEMG, specifying the type of assistance being requested no later than 60 days before the termination of the Agreement, ITSEMG shall provide the Board reasonable assistance for up to 90 days to assist in the transition to an alternative program or another educational service provider for the actual documented costs for such assistance.

ARTICLE III FUNCTIONS OF ITSEMG

A. Responsibility. Under the direction of the Board, ITSEMG shall be responsible for all of the management, operation, administration, and education at the Academy, by providing certain services directly to the Academy, subcontracting for certain services consistent with Article III, C, and overseeing other contractors of the Academy. Such functions shall be carried out in a manner and form customary in the public school academy industry and include, but not be limited to:

1. Implementation and administration of the Educational Program;
2. Curriculum improvement services;
3. Student environment management services;
4. Community outreach and marketing services;
5. Implementation of an ongoing public relations strategy, developed by ITSEMG with input from the Board, for the development of beneficial and harmonious relationships with other organizations and the community;
6. Budget preparation and financial management services, such as accounting and bookkeeping services, financial and operational reports;
7. Accounts payable management;
8. Administration (by way of liaising with the carrier's designated representative or counsel appointed by the carrier) of any insurance claims involving personal injury or property loss;
9. Management of the security of the facility and confidential information files maintained by and in the possession of ITSEMG;
10. Selection of instructional and non-instructional material, equipment and supplies (within the budget set by the Board) and the establishment of an inventory system of all equipment;

11. Oversight of food service operation;
12. Oversight of transportation operation;
13. Facilities maintenance coordination;
14. Overseeing the preparation of required the University Board, local, state and federal reports with prior review by the Board;
15. Computer services oversight;
16. Information and technology system development and management including student information system(s);
17. All facility operations of the school building, including but not limited to the installation of technology integral to school design that has been approved by the Board, janitorial contract management, building repair oversight, and compliance with all applicable laws;
18. Preparation of grant applications and reports for grants received as well as special programs, subject to prior Board approval;
19. Using best efforts to secure funding sources for special programs and facility improvements as requested by the Board;
20. Administration of extra-curricular and co-curricular activities and programs approved by the Board;
21. Assist the Board in the preparation of strategic plans for the continuing educational and financial benefit of the Academy;
22. Preparation, subject to prior Board approval, enforcement and administration of the Academy parent and student codes of conduct;
23. Overseeing the preparation of Board meeting materials, agendas, and notices in conjunction with the Board President or his/her designee;
24. Human resource management, benefits administration and payroll processing subject to the Board approved budget;
25. Administering reporting compliance, which includes ensuring all reports, documents, etc. are filed on-time with the appropriate entities;
26. Coordinate Special Education services;

27. Management of cash flow reserves in accordance with the Academy's budget, revenues and expenditures, and assisting with short term borrowing in conjunction with the Board finance committee; and
28. Recommending and acquiring textbooks & curricula; and
29. Any other function necessary or expedient for the administration of the Academy within the policies and actions of the Board.

B. Educational Goals and Program. ITSEMG shall implement the educational goals and programs set forth in the Contract, including but not limited to methods of pupil assessment, admission policy and criteria, school calendar and school day schedule, age and grade classifications or pupils to be enrolled, and methods to be used to monitor performance towards targeted educational outcomes. In the event that ITSEMG determines that it is advisable to modify the educational goals and program set forth in the Contract, ITSEMG will provide written notification to the University Board specifying the changes it recommends and the reasons for the proposed changes. As the Educational Goals and Program are an integral part of the Contract, no changes in the educational goals and programs shall be implemented without the prior written approval of the University Board and then approval by the Board, which may be fulfilled by action of the Board at a meeting convened pursuant to the Michigan Open Meetings Act, and through the process set forth in the Contract for amendment thereof. ITSEMG shall provide the Board with written reports on a quarterly basis specifying the level of achievement of each of the Academy's educational goals as set forth in the Contract and detailing its plan for meeting any educational goals that are not being attained.

C. Subcontracts. It is anticipated that ITSEMG will utilize subcontracts to provide some of the services it is required to provide to the Academy including but not limited to transportation and/or food service, Academy compliance, special education services, and human resources. ITSEMG shall not subcontract the management, oversight or operation of the educational program, without the prior written approval of the Board, which consent shall not be unreasonably withheld. Board approval of other subcontracts is not required unless the costs for these subcontracted services exceeds the funds appropriated for that purpose in the Academy's approved budget or is in excess of the contract amount required to be approved by the Board by the Academy's contractual obligations to the University Board. The Board shall have input into any subcontracting of services by ITSEMG that impact in any way Charter compliance, human resources, the financial and accounting for the Academy and educational program, curriculum and instruction.

D. Place of Performance. Instruction services other than field trips will normally be performed at the Academy facilities. ITSEMG may perform functions other than instruction, such as purchasing, professional development, and administrative functions at off-site locations, unless prohibited by the Contract or applicable law. The Academy shall provide ITSEMG with the necessary office space at the Academy site to perform all services described in this Agreement. All student records and books, including all financial records needed for the annual audit, of the Academy, as well as copies of minutes of both regular and executive sessions of the Board and all

required compliance materials ("Academy Documents") shall be maintained at the Academy site at the Academy's sole expense. The Academy shall not unreasonably restrict ITSEMG's or its agents and subcontractors' access to such Academy Documents consistent with applicable law.

E. Acquisitions. All acquisitions made by ITSEMG for 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. ITSEMG and its subcontractors will comply with Section 1274 of the Code and the Board's purchasing policy, and the Board finance committee, as if the Academy were making these purchases directly from a third party supplier and ITSEMG will not include any fees or charges to the cost of equipment, materials and supplies purchased from third parties when it seeks reimbursement for the cost of these acquisitions.

F. Pupil Performance Standards and Evaluation. ITSEMG is responsible for and accountable to the Board for the performance of students who attend the Academy. ITSEMG 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 Contract and such additional measures as shall be mutually agreed between the Board and ITSEMG that are consistent with the Contract. ITSEMG shall be responsible for achieving educational goals and related measures as outlined in the Charter Contract.

G. Student Recruitment. ITSEMG shall be responsible for the lawful recruitment and enrollment of students subject to the provisions of the Contract. Students shall be selected in accordance with the procedures set forth in the Contract and in compliance with applicable law. ITSEMG shall follow all applicable procedures regarding student recruitment, enrollment and lottery management, and shall be responsible for publication of appropriate public notices and scheduling open houses.

H. Student Due Process Hearings. ITSEMG, in conjunction with the Board attorney, shall ensure that students are provided 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 an extent 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 or given a long term suspension.

I. Legal Requirements. ITSEMG shall provide educational programs that meet federal, state, and local requirements, and the requirements imposed under the Code and 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 ITSEMG is directed to enforce the rules, regulations and procedures adopted by the Board. ITSEMG shall, upon request, 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 provided in the Contract and as defined annually by the Board.

L. Authority. ITSEMG shall have the authority and power necessary to undertake its responsibilities described in this Agreement, except in cases wherein such power may not be delegated by law nor approved by the Board.

M. Compliance with Academy's Contract. ITSEMG 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 Contract issued by the University Board. The provisions of the Academy's Contract shall supersede any competing or conflicting provisions contained in this Agreement. ITSEMG will not knowingly act in a manner that will reasonably cause the Academy to be in material breach of its Contract with the University Board such that the University Board threatens termination of the Academy's contract in a writing delivered to the Academy. In the event that ITSEMG does not cure such breach within one academic year, such action by ITSEMG and subsequent failure to cure shall be considered cause to terminate this Agreement pursuant to Article VII, Paragraph A.

N. Additional Programs. The services provided by ITSEMG to the Academy under this Agreement consist of the Educational Program as set forth in the Contract, as the same may change from time to time. The Board may decide to provide additional programs. Any revenues collected from such programs will go directly to the Academy. The Academy may also purchase additional services from ITSEMG at a mutually agreeable cost.

O. Annual and Amended Budget Preparation. ITSEMG will work with the Board finance committee to prepare a proposed annual budget and any amended budgets that shall conform to the State accounting manual and the Uniform Budgeting and Accounting Act, MCL 141.421 et seq. and in a form reasonably satisfactory to the Board and to the University Board. The budget shall contain object level detail and comply with public accounting standards applicable to public schools and public school academies in Michigan. 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 30 days prior to the date when the approved budget is required to be submitted to the University Board. ITSEMG may not make deviations from the approved budget without the prior approval of the Board.

P. Financial Reporting. On not less than a monthly basis, ITSEMG shall provide the Board with monthly financial statements not more than forty-five (45) days in arrears. Financial statements shall include a balance sheet, cash flow statement and statement of revenue, expenditures and changes in fund balance, 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. A

written report shall explain any variances from the approved budget, shall contain recommendations for necessary budget corrections and shall be prepared at least 7 calendar days in advance of the Board meeting to be available for Board packets sent to Board Members in preparation for Board meetings. ITSEMG shall provide special reports as necessary to keep the Board informed of changing conditions.

Q. Operational Reporting. At least four (4) times per year ITSEMG will provide the Board with comprehensive written reports, in a form reasonably anticipated to satisfy this requirement, detailing Academy operations, finances (excluding the items identified in Article VI, F which shall be provided monthly) and student performance. In order to enable the Board to monitor ITSEMG's educational performance and the efficiency of its operation of the Academy, upon the request of the Board, ITSEMG 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 one (1) week after the request for the report is received by ITSEMG unless the Board and ITSEMG mutually agree upon an extended timetable.

R. Good Conduct. ITSEMG, its employees, contractors and subcontractors, as representatives of the Academy, shall be expected to conform to the highest ethical and legal standards expected of public officials, in their dealings with the Academy and otherwise. Likewise, the Academy Board and its individual members shall be expected to conform to the highest ethical and legal standards expected of public officials in their dealings with ITSEMG and its agents and subcontractors.

S. Compliance with Section 553c. On an annual basis, ITSEMG agrees to provide the Academy Board with the same information that a school district is required to disclose under section 18(2) of the State School Aid Act of 1979, MCL 380.1618, for the most recent school fiscal year for which the information is available. Within thirty (30) days of receipt of this information, the Academy Board shall make the information available on the Academy's website home page, in a form and manner prescribed by the Michigan Department of Education. The defined terms in section 503c of the Code, MCL 380.553c shall have the same meaning in this Agreement.

T. Transparency Reporting. ITSEMG shall provide to the Board, and post where and when required, any and all information necessary to comply with the reporting requirements in accordance with applicable law, including, but not limited to, the information listed on Schedule 1.

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 enroute to and from the Academy and regulations governing the procurement of supplies, materials and equipment. The Board shall exercise good faith in considering the recommendations of ITSEMG

on issues including, but not limited to, policies, rules, regulations, procedures, curriculum and budgets subject to the constraints of law and requirements of the 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 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. This paragraph does not apply to individuals employed by ITSEMG or any entity which ITSEMG subcontracts with to provide services pursuant to this Agreement.

D. Educational Consultants. The Board may retain an educational consultant or consultants to review the operations of the Academy and the performance of ITSEMG under this Agreement. ITSEMG shall cooperate with the educational consultant or consultants and will provide those individuals with prompt access to records, facilities, and information as if such requests came from the full Board. ITSEMG shall have no authority to select, evaluate, assign, supervise or control any educational consultant employed by the Board. 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 Contract, this Agreement applicable law and any other matter the Board may deem appropriate.

F. Audit. The Board shall select and retain the independent auditor to perform the annual financial audit in accordance with the 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 Contract, including but not limited to its oversight of ITSEMG, the organization of the Academy, negotiation of the Contract and any amendments, payment of employee costs, insurance required under the 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 provide Academy funding on a consistent and timely basis to ITSEMG to fulfill its obligations under this Agreement.

I. Governmental Immunity. The Board shall determine when to assert, waive or not waive its governmental immunity.

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

ARTICLE V EVALUATIONS OF ITSEMG

A. Evaluation of ITSEMG. The Board will evaluate the performance of ITSEMG each year to provide ITSEMG with an understanding of the Board's view of its performance under this Agreement. A preliminary evaluation will normally occur in January of each year followed by a year-end evaluation in June. The Board will determine the format to conduct this evaluation, but will seek and incorporate reasonable input as to said form from ITSEMG as to same. Special evaluations may occur at any time. The evaluation of ITSEMG will, at a minimum, be written and consist of a review of ITSEMG's ability to meet and exceed the goals stated in Schedule 7 of the Academy's Charter Contract with Ferris State University and progress in meeting pupil performance standards outlined in paragraph III.F. of this Agreement, as well as a review of ITSEMG's performance of its responsibilities under this Agreement. ITSEMG shall be entitled to provide a written response to the evaluation which shall be maintained in the Academy Documents. The failure of the Academy Board to evaluate ITSEMG in a given year shall be conclusive proof of the satisfactory nature of ITSEMG's performance in that year.

B. Educational Consultant. The Board may utilize, at its sole cost and expense, the services of an independent educational consultant, as described in paragraph IV.D. of this Agreement, to assist in its evaluation of ITSEMG.

ARTICLE VI FINANCIAL ARRANGEMENT

A. School Source of Funding. As a Michigan public school, the source of funding for the Academy is State School Aid payments based upon the number of students enrolled in the Academy combined with such other payments as may be available from state and federal sources for specific programs and services ("School Funds").

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 ITSEMG, with prior Board approval, shall endeavor to obtain revenue from other sources. In this regard:

1. The Academy and/or ITSEMG shall solicit and receive donations consistent with the mission of the Academy.
2. The Academy and/or ITSEMG may apply for and receive grant money, in the name of the Academy. ITSEMG shall provide advance notification to

the Board of any grant applications it intends to make and receive Board approval for the application prior to accepting any grant.

3. To the extent permitted under the Code, and with prior Board approval, ITSEMG may charge fees to students for extra services such as summer programs, after school programs and athletics and charge non-Academy students who participate in such programs.

All funds received by ITSEMG or the Academy from such other revenue sources shall inure to and be deemed the property of the Academy, except as otherwise agreed by the parties in writing.

C. Compensation for Services. The Academy shall pay ITSEMG an annual fee of 15% of Full Time Equivalent (FTE) State Aid per pupil, less the 3% authorization fee paid to Ferris State University.

D. Reasonable Compensation. ITSEMG's compensation under this Agreement is reasonable compensation for services rendered. Operations Graduation's compensation for services under this Agreement will not be 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 ITSEMG for services as provided in paragraph VI. C., supra, all Board approved costs reasonably incurred in providing the Educational Program at the Academy shall be paid by the Academy. Such costs shall include, but shall not be limited to, curriculum materials, professional development, textbooks, library books, costs for computer and other equipment, software, supplies utilized at the Academy for educational purposes, services provided pursuant to subcontract, building payments, maintenance, utilities, capital improvements, costs for personnel provided at the Academy either by ITSEMG or through an entity with which ITSEMG subcontracts for staff, and marketing and development costs. Marketing development, and personnel 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, development, or personnel of ITSEMG. The Academy Board must be informed of, and approve via budget allocation, the level of compensation and fringe benefits provided to employees of ITSEMG assigned to the Academy. The Board shall reimburse ITSEMG monthly for approved fees and expenses upon properly presented documentation and approval by the Board. At its option, the Board may advance funds to ITSEMG for the fees and expenses associated with the Academy's operation provided that documentation for the fees and expenses are provided for Board ratification. In paying costs on behalf of the Academy, ITSEMG shall not charge an added fee. Any costs reimbursed to ITSEMG that are not Board approved or 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 ITSEMG.

F. Financial Reporting. On not less than a monthly basis, ITSEMG shall provide the Board with a monthly cash flow analysis, an aged report of accounts payable, a check register, 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. The Board must be presented a balance sheet and statement of revenues, expenditures and changes in fund balance, at object level detail, at each regularly scheduled meeting. This report shall explain any variances from the approved budget and shall contain recommendations for necessary budget corrections and shall be prepared at least seven days in advance of the Board meeting to be included in the Board packets sent to Board members, and its designees, in preparation for Board meetings. These reports shall be sent to the Board in its Board packet at least one week prior to the regularly scheduled Board meeting (ex. the current Board meeting is scheduled for the fourth Monday so the above reports will be available by the third Monday each month). ITSEMG shall provide special reports as necessary to keep the Board informed of changing conditions.

G. Operational Reporting. In order to enable the Board to monitor ITSEMG's educational performance and the efficiency of its operation of the Academy, upon the request of the Board, ITSEMG will provide written reports to the Board on any topic of Academy activity or operations and which are consistent with or operations that are included in this Agreement. These special reports will be provided in a timely fashion, but not less than one (1) week after the request for the report is received by ITSEMG unless the Board and ITSEMG mutually agree upon an extended timetable.

H. Audit Report Information. ITSEMG will make all of the financial and other records related to the Academy and necessary for the conduct of the annual audit available to the Academy and the independent auditor selected by the Board.

I. Other Financial Relationships. Any lease, between the Academy and ITSEMG shall be contained in a document separate from this Agreement. ITSEMG does not enter this Agreement with an interest in entering into promissory notes or other financing agreements and is not expected by the Academy to serve as guarantor for promissory notes or other financing agreements through other lenders.

J. Access to Records. ITSEMG shall keep accurate financial, educational and student records pertaining to its operation of the Academy, together with all Academy financial records prepared by or in the possession of ITSEMG, and shall retain all of these records in accordance with applicable state and federal requirements. Financial, educational, operational and student records that are now or may in the future come into the possession of ITSEMG remain Academy records and are required to be returned by ITSEMG to the Academy upon demand, provided that ITSEMG may retain copies of records necessary to document the services provided to the Academy and its actions under the Agreement. ITSEMG 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. This Agreement shall not be construed to restrict the University Board's or the public's access to these records under applicable law or the Contract.

ARTICLE VII PERSONNEL AND TRAINING

A. School Leader. ITSEMG shall be responsible for selecting and hiring a School Leader to perform services at the Academy subject to meaningful input from the Board. The duties of the School Leader shall be developed by ITSEMG, subject to reasonable Board approval and consistent with the job descriptions included in the Contract. The terms of employment of the School Leader shall be determined by ITSEMG. The School Leader shall work for ITSEMG to oversee the operation and management of the Academy but shall report to the Board on operational aspects of the Academy. The accountability of ITSEMG to the Academy is an essential foundation of this Agreement. Since the School Leader is critical to the Academy's success, ITSEMG shall have the sole authority, consistent with the subparagraph B below and Board input, to select, hire, evaluate, assign, discipline, transfer and terminate the School Leader, and to hold the School Leader accountable for the performance of the Academy. The School Leader will have a valid administrator certificate issued by the State Board of Education, as required by the Code. ITSEMG shall consult with the Board concerning the duties and performance of the School Leader prior to the placement and/or removal of the School Leader at the Academy or at any other time at the request of the Academy Board, and shall remove the School Leader from the position of School Leader of the Academy if the Board is reasonably dissatisfied with his or her performance or reasonably determines that the School Leader has become disruptive to the work environment at the school. The Board, in consultation with ITSEMG, will develop and approve a procedure for implementation of this sub-paragraph.

B. Personnel. ITSEMG shall be responsible for the selection and hiring of qualified personnel to perform services at the Academy. All teaching staff working at the Academy shall be appropriately certified and highly qualified. ITSEMG shall have the responsibility and authority, subject to subparagraph A above to select, hire, evaluate, assign, discipline, transfer, and terminate personnel, or subcontract therefor, consistent with the Budget, applicable law, and paragraph III.C., above. Personnel working at the Academy shall be staff or employees (as applicable) of ITSEMG or an approved subcontractor. ITSEMG shall inform the Board of the level of compensation and fringe benefits provided to ITSEMG employees assigned to the Academy which shall be in accordance with the Board approved budget.

ITSEMG acknowledges and agrees that unless the Academy notifies it that it is not subject to the provisions of Michigan Public Act 84 of 2006, as amended (hereafter "PA 84 of 2006"), ITSEMG will have its agents, employees or representatives, or agents, employees or representatives of its subcontractor, who will be regularly and continuously performing services on the Academy's premises fingerprinted and subjected to criminal history and background checks through the Michigan State Police and Federal Bureau of Investigation, as detailed in PA 84 of 2006, within the timelines required by law. ITSEMG further agrees to provide the Academy with a copy of all fingerprinting and criminal history background reports promptly upon receipt of same. Additionally, unless notified it is not subject to PA 84 of 2006, ITSEMG represents and warrants to the Academy that it will at all times during the term of this Agreement comply with the provisions of PA 84 of 2006, including, but not limited to, reporting to the Academy within 3 business days of when it, or any of its agents, employees or representatives who will be regularly

and continuously employed on the Academy's premises, is/are charged with a crime listed in Section 1535a(1) or 1539b(1) of the Code, being MCL 380.1535a(1) and 380.1539b(1), a substantially similar law, or other crimes required to be reported under PA 84 of 2006, and to immediately report to the Academy if that person is subsequently convicted, pleads guilty or pleads no contest to that crime.

ITSEMG shall likewise conduct or be responsible for, on behalf of the Academy, unprofessional conduct checks required by MCLA 380.1230b.

The parties agree that the Academy shall be responsible for all costs associated with the criminal history checks, criminal records checks and unprofessional conduct checks required pursuant to the terms of this Agreement and which are accomplished in order to comply with Sections 1230, 1230a and 1230b of the Code and all costs associated with compliance with this section of the Agreement.

The Academy agrees to reasonably cooperate with ITSEMG in the discharge of ITSEMG's responsibilities under this section.

C. Training. ITSEMG shall be responsible for ensuring that all staff members assigned to work at the Academy including, the administrators, teachers and paraprofessionals, receive training required by law and which is consistent with the Academy mission.

D. Basic Instructional Supplies. ITSEMG shall insure, provided sufficient funds are allocated in the Budget adopted by the Academy Board, that the administrators and teachers have access to those basic educational supplies necessary to deliver the educational program and shall establish a procedure for the administrators and teachers to present claims that basic educational supplies are not being provided..

ARTICLE VIII 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 ITSEMG 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. Material breach 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 failure to meet or make appropriate progress towards meeting the outcomes stated in Paragraph III.F. of this Agreement and Schedule 7 of the Contract (which failure is not attributable to the Academy Board); a violation of the Contract or of applicable law and any action or inaction by ITSEMG that places Academy's Charter Contract in reasonable jeopardy of revocation, termination or suspension as discussed above. In order to terminate this Agreement for cause, the Board is required to provide ITSEMG with written notification of the facts it considers to constitute material breach and a reasonable period of time within which ITSEMG has to remedy this breach. After the period to remedy the

material breach has expired, the Board may terminate this Agreement by providing ITSEMG with written notification of termination.

B. Termination by ITSEMG for Cause. This Agreement may be terminated by ITSEMG 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 ITSEMG. Material breach 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 ITSEMG as required by this Agreement or a failure to give consideration to the recommendations of ITSEMG regarding the operation of the Academy; a violation of the Contract or of applicable law. In order to terminate this Agreement for cause, ITSEMG is required to provide the Board with written notification of the facts it considers to constitute material breach and a reasonable period of time within which the Academy has to remedy this breach. After the period to remedy the material breach has expired, ITSEMG may terminate this Agreement by providing the University Board with written notification of termination.

C. Revocation or Termination of Contract. If the Academy's Contract issued by the University Board is revoked, terminated or a new charter contract is not issued to the Academy after expiration of the Academy's Contract, this Agreement shall automatically terminate on the same date as the Academy's Contract is revoked, terminated or expires without further action of the parties. The Academy shall pay to ITSEMG all amounts due and owing for services provided up to the date of termination and, on a per-diem basis, for any services that ITSEMG, in its sole discretion, elects to provide to the Academy following termination. The Academy shall also provide in any dissolution plan for the compensation of ITSEMG for any services which ITSEMG may perform as part of the dissolution process.

D. Termination by Either Party Without Cause. If ITSEMG and the Board are unable to agree on educational programs, curriculum or other educational policies that 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. In addition, either party may cancel/terminate this Agreement with or without cause by giving written notice to be effective not sooner than July 1, 2015 or any time thereafter by giving 90 days prior written notice.

E. Change in Law. If any federal, state or local law or 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, may request renegotiation of the Agreement; and if the parties are unable or unwilling to renegotiate the terms within 30 days after the notice, the party requiring the renegotiation may terminate this Agreement on 60 days further written notice.

F. 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 that school year.

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

H. Transition. In the event of termination of this Agreement for any reason by either party prior to the end of the Agreement's term, ITSEMG may provide the Academy reasonable assistance for up to 90 days after the effective date of the termination to allow a transition to another education service provider, provided the Academy pays ITSEMG the actual documented time and materials incurred by ITSEMG as a result of the transition.

ARTICLE IX PROPRIETARY INFORMATION

A. Proprietary Information. The Academy shall own all copyright and other proprietary rights to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by ITSEMG, its employees, agents or subcontractors, or by any individual working for or supervised by ITSEMG, which were developed during working hours or during time for which the individual is being paid by ITSEMG which (i) were directly developed and paid for by the Academy; or (ii) were developed by ITSEMG at the direction of the Board with Academy funds dedicated for the specific purpose of developing such curriculum or materials. ITSEMG's educational materials and teaching techniques used by the Academy are subject to disclosure under the Code and the Freedom of Information Act.

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 the University Board and to the State Board 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 X INDEMNIFICATION

A. Indemnification of ITSEMG. To the extent permitted by law, the Academy shall indemnify and hold ITSEMG (which term for purposes of this Paragraph A, includes ITSEMG'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. The scope of this indemnification includes actions taken by ITSEMG on behalf of the Academy beginning on July 1, 2014. In addition, the Academy shall reimburse ITSEMG 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 ITSEMG.

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. ITSEMG 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 ITSEMG with any agreements, covenants, warranties, or undertakings of ITSEMG contained in or made pursuant to this Agreement, including any and all employment related claims, demands or suits by ITSEMG employees, former employees or applicants; and any misrepresentation or breach of the representations and warranties of ITSEMG contained in or made pursuant to this Agreement. In addition, ITSEMG 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 ITSEMG, Board of Directors, partners, officers, employees, agents and representatives, from any and all claims and liabilities which ITSEMG may incur and which arise out of the negligence of the Academy's directors, officers, employees, agents or representatives. ITSEMG shall indemnify and hold harmless the Academy, and the Academy's Board of Directors, officers, employees, agents or representatives, from any and all claims and liabilities which the Academy may incur and which arise out of the negligence of ITSEMG's directors, officers, employees, agents or representatives.

E. Indemnification for Prior Actions. The Academy is responsible for the payment of all claims, demands, suits, or other forms of liability that ITSEMG may incur and which arise out of the Academy's actions or the actions of any prior management services provider that occurred as of July 1, 2014. To the extent permitted by law, the Academy shall indemnify and hold harmless ITSEMG, Board of Directors, partners, officers, employees, agents and representatives, from any and all claims and liabilities made against ITSEMG that arise out of the Academy's actions or the actions of any prior management services provider that occurred as of July 1, 2014. In addition, the Academy shall reimburse ITSEMG 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 ITSEMG.

F. Indemnification of Ferris State University. The parties acknowledge and agree that Ferris State University, its Board of Trustees, and its members, officers, employees, agents or

representatives (collectively "University") are deemed to be third party beneficiaries for purposes of this Agreement. As third party beneficiaries, ITSEMG hereby promises to indemnify, defend and hold harmless the University from and against all demands, claims, actions, suits, causes of action, losses, judgments, liabilities, damages, fines, penalties, demands, forfeitures, or any other liabilities or losses of any kind whatsoever, including costs and expenses (not limited to reasonable attorney fees, expert and other professional fees) settlement and prosecution imposed upon or incurred by the University, and not caused by the sole negligence of the University, which arise out of or are in any manner connected with the University Board's approval of the Academy application, the University Board's consideration of or issuance of a Contract, ITSEMG's preparation for or operation of the Academy, or which are incurred as a result of the reliance by the University upon information supplied by ITSEMG, or which arise out of ITSEMG's failure to comply with the Contract or applicable law. The parties expressly acknowledge and agree that the University may commence legal action against ITSEMG to enforce its rights as set forth in this section of the Agreement.

ARTICLE XI INSURANCE

A. Insurance of the Academy. The Academy shall secure and maintain such policies of insurance as required by the Michigan Universities Self Insurance Corporation (M.U.S.I.C.). 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 required by the provisions of the Contract, including the indemnification of ITSEMG required by this Agreement. The Academy shall, upon request, present evidence to ITSEMG that it maintains the requisite insurance in compliance with the provisions of this paragraph. ITSEMG 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 ITSEMG. ITSEMG shall secure and maintain such policies of insurance as required by M.U.S.I.C. and the Contract, with the Academy listed as an additional insured. ITSEMG shall maintain such insurance in an amount and on such terms as are reasonably acceptable to the Academy and as required by the provisions of the Contract, including the indemnification of the Academy required by this Agreement. ITSEMG shall, upon request, present evidence to the Academy and the University Board that it maintains the requisite insurance in compliance with the provisions of this paragraph. In the event that M.U.S.I.C. requests any change in coverage by ITSEMG, ITSEMG agrees to comply with any change in the type and amount of coverage as requested by M.U.S.I.C. within thirty (30) days after notice of the insurance coverage change. The Academy shall comply with any information or reporting requirements applicable to ITSEMG under ITSEMG's policy with its insurer(s), to the extent practicable.

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

**ARTICLE XII
MISCELLANEOUS**

A. Sole Agreement. This Agreement supersedes and replaces any and all prior agreements and understandings between the Academy and ITSEMG on the subject matter hereof.

B. 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.

C. 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 ITSEMG: ITSEMG, LLC

Dr. Timothy Brannan
3620 E. Round Lake Rd.
DeWitt, MI 48820

With a copy to ITSEMG's attorney:

Joseph B. Urban
Clark Hill PLC
151 S. Old Woodward Avenue, Suite 200
Birmingham, MI 48009

If to Academy:
Blended Learning Academies
1754 E. Clark Road
Lansing, MI 48906

And a copy to the Board Attorney:

D. 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.

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

F. Entire Agreement. This Agreement is the entire agreement between the parties relating to the services provided, and the compensation for such services, by the parties. Any modification to this Agreement must be made in writing, approved by the Board and ITSEMG, and signed by a duly authorized officer. In addition, any modification to this Agreement must be completed in a manner consistent with the University Board's Educational Service Provider Policies before it can become effective.

G. NonWaiver. No failure of a party in exercising any right, power or privilege under this Agreement shall 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 any of them may otherwise have.

H. Assignment. ITSEMG may not assign this Agreement without the prior written approval of the Board. Any assignment must be completed in a manner consistent with the University Board's Educational Service Provider 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 ITSEMG any of the powers or authority of the Board that are not subject to delegation by the Board under Michigan law or the Contract.

K. Compliance with Law. The parties agree to comply with all applicable laws and regulations.

L. Warranties and Representations. Both the Academy and ITSEMG 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, and 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. 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 Michigan as mutually agreed by the parties. A judgment on the award rendered by the arbitrators may be entered in any court having appropriate jurisdiction. The cost of arbitration, not including attorney fees, shall be split by the parties.

N. Modification to Conform to Changed the University Board Policies. The parties intend that this Agreement shall comply with the University Board's Educational Service Provider Policies, as the same may be changed from time to time. In the event that changes in the University Board's Educational Service Provider Policies implemented after the date of execution of this Agreement cause any provision of this Agreement to be in conflict the revised Policies, the parties agree to amend this Agreement to eliminate the conflict within thirty (30) days after being advised by the University Board of the changes to its policies.

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

ITSEMG, LLC

By: 

Its: President

BLENDED LEARNING ACADEMIES

By:  Marcus K. Karpovich

Its: Board President

10/10/10