

**BAY MILLS COMMUNITY COLLEGE
CHARTER SCHOOLS OFFICE
EDUCATIONAL SERVICE PROVIDER POLICIES**

March 28, 2012 (“Effective Date”)

Pursuant to the Terms and Conditions of the Contract ("Contract") issued by the Bay Mills Community College Board of Regents ("College Board"), these Educational Service Provider Policies ("ESP Policies") are adopted by the Bay Mills Community College Charter Schools Office (“CSO”). As of the Effective Date, the ESP Policies are part of the Contract and apply to all public school academies authorized by the College Board, including new public school academies. A public school academy board of directors (“Academy Board”) must comply with the ESP Policies in addition to other Contract provisions that apply to an Academy contracting with an Educational Management Organizations ("ESP").

A. Academy Board Due Diligence

1. Prior to executing an agreement with an ESP, the Academy Board must perform sufficient due diligence to establish that the ESP and its key personnel have the appropriate financial resources, educational background, and managerial experience to provide the contracted services. Prior to contracting with an ESP, the Academy Board must obtain sufficient information to conclude that the ESP agreement, on the terms to be approved, is in the best financial and educational interest of the Academy. At a minimum, and prior to the execution of an ESP agreement, the Academy Board shall provide the following information to the CSO:
 - List of all ESP owner(s), directors and/or officers. This list shall disclose all existing conflicts of interest that any ESP owner, director and/or officer may have in regard to Academy Board members, administrators and employees associated with the Academy, as well as other vendors contracting with the Academy. Conflict of interests include, but are not limited to, familial and/or social relationships.
 - Type or form of entity (for-profit corporation, non-profit corporation, limited liability company, etc.).
 - Name ESP's primary banking institution.
 - Legal counsel for the ESP. Name, address, and telephone number of firm and name of contact person.
 - Accounting firm for the ESP. Name, address, and telephone number of firm and name of contact person.
 - A written statement regarding the ESP's experience in providing educational services, the types of educational service to be provided to the Academy.
 - A mission, vision, and values statement of the ESP.

2. Academy Board members, Academy Board employees, and their respective spouses and immediate family members may not have any direct or indirect ownership, employment,

contractual or management interest in any ESP that contracts with the Academy. The relationship between the Academy and the ESP shall be consistent with the conflicts of interest and prohibited familial relationship provisions set forth in the Contract.

3. In accordance with the Contract, an Academy Board shall timely notify the CSO of any proposed agreement between that Academy and an ESP before the proposed agreement becomes binding. If an Academy proposes to enter into a new or renewed agreement with an ESP, or to amend an existing ESP agreement, the Academy shall, not later than thirty (30) days prior to the proposed date of execution of the ESP Agreement, submit the proposed ESP agreement to the CSO Director along with a detailed description of the methods by which the ESP will be held accountable to the Academy Board. The CSO shall then review the proposed agreement to determine whether it complies with the Contract and Applicable Law. Unless the CSO Director extends the review period, the CSO Director shall notify the Academy if the proposed ESP agreement is disapproved for violation of the Contract or applicable law at the end of the thirty (30) day review period. The CSO Director has the discretion to determine whether a ESP agreement is disapproved, and whether an ESP agreement is in violation of the Contract or Applicable Law. If the proposed ESP agreement is disapproved, such disapproval may, but shall not be required to, state one or more conditions which, if complied with by the Academy and the ESP, would cause such disapproval to be deemed withdrawn. No ESP agreement described in this ESP Policy may be entered into if the ESP Agreement is disapproved by the CSO Director. By not disapproving a proposed agreement, the CSO Director is in no way giving approval of the ESP agreement, or any of the terms or conditions of the ESP Agreement.
4. The Academy Board must retain independent legal counsel to review and advise on the negotiation of the ESP agreement. Legal counsel for the Academy shall not represent the ESP or an ESP owner, director, officer or employee. The ESP agreement must be an arms-length, negotiated agreement between an informed Academy Board and the ESP. Prior to the Academy Board's approval of the ESP agreement, the Academy Board must obtain a legal opinion from its legal counsel, which includes the representation that legal counsel has reviewed the proposed ESP Agreement, the ESP Policies and the Academy's Contract, and that in their opinion:
 - A. The Academy Board has the power and authority to enter into the proposed ESP agreement;
 - B. Execution of the proposed ESP agreement does not violate any term or provision of the Contract (including the ESP Policies) and applicable law; and
 - C. Entering into the proposed ESP agreement does not authorize or require an improper delegation by the Academy Board.
5. The Academy Board shall not approve an ESP agreement until all Academy Board members have been given the opportunity to review the proposed ESP agreement with the Academy's legal counsel.

6. The Academy Board shall only approve an ESP agreement with a formal vote at a public board meeting. Prior to Academy Board's vote on the ESP agreement, the Academy Board shall provide an opportunity for public comment on the proposed ESP agreement.

B. Academy Board Administrative and Fiduciary Responsibilities

1. In negotiating the ESP agreement, the Academy Board must budget adequate resources to fulfill its Contract requirements which may include, but are not limited to: oversight of the ESP, negotiation of the Contract and any Contracts amendments, payment of staff costs, insurance required under the Academy's lease, ESP agreement and the Contract, annual financial audit, the Academy Board's legal counsel, consultants, recording secretary and any other such cost necessary for Academy Board operations.
2. The Academy Board shall be responsible for determining the budget reserve amount included as part of the Academy's annual budget. In addition, the Academy Board is responsible for implementing fiscal policies that will assist the Academy in attaining the stated budget reserve amount.
3. The ESP shall present to the Academy Board, on a frequency established by the Academy Board, a detail of budget to actual revenues and expenditures with an explanation of variances. Also, the ESP shall present to the Academy Board, on a frequency determined by the Academy Board, a detailed schedule of expenditures at object level detail for review and approval by the Academy Board. The foregoing presentations shall be in a form and format acceptable to the Academy Board and are to be provided to all Academy Board members not less than three (3) working days prior to the Academy Board meeting at which the information will be considered.
4. The ESP agreement shall contain the specific provisions that are incorporated into the Contract as required provisions for all ESP agreements.

C. ESP Agreement Provisions

1. An ESP agreement under which an ESP provides personnel to perform work at the Academy **may not contain a non-competition, no-hire, or similar provision** prohibiting or restricting the Academy from hiring instructional staff that perform work at the Academy.
2. An ESP agreement under which an ESP provides persons to perform work at the Academy shall contain a provision requiring the ESP to make information concerning the operation and management of the Academy, including but not limited to, information in the Contract, including all exhibits, schedules, and the like, available to the Academy as deemed necessary by the Academy Board in order to enable the Academy to fully satisfy its obligations under the Contract. Except as permitted under the Contract and

Applicable Law, no ESP agreement shall restrict the the College Board's, the CSO's or the public's access to the Academy's records.

3. No provision of an ESP agreement shall interfere with the Academy Board's exercise of its statutory, contractual and fiduciary responsibilities governing the operation of the Academy. No provision of an ESP agreement shall prohibit the Academy Board from acting as an independent, self-governing public body, or allow public decisions to be made other than in compliance with the Open Meetings Act.
4. An ESP agreement shall not restrict an Academy Board from waiving its governmental immunity or require an Academy Board to assert, waive or not waive its governmental immunity.
5. No provision of an ESP agreement shall alter the Academy Board treasurer's legal obligation to direct that the deposit of all funds received by the Academy be placed in the Academy's depository account as required by applicable law. The signatories on the depository account shall only be Academy Board members properly designated annually by Academy Board resolution. Interest income earned on Academy depository accounts shall accrue to the Academy.
6. An ESP agreement must contain a provision that all finance and other records of the ESP related to the Academy will be made available to the Academy's independent auditor.
7. An ESP agreement must not permit the ESP to select, retain, evaluate or replace the independent auditor for the Academy.
8. If an ESP purchases equipment, materials and supplies on behalf of or as the agent of the Academy, the ESP agreement shall provide that such equipment, materials and supplies shall be and remain the property of the Academy. The ESP will comply with section 1274 of the Revised School Code as if the Academy when making these purchases directly from a third party supplier.
9. An ESP agreement shall contain a provision that if the ESP procures equipment, materials and supplies at the request of or on behalf of the Academy, the ESP shall not include any added fees or charges with the cost of equipment, materials and supplies purchased from third parties.
10. An ESP agreement must contain a provision that clearly allocates the respective proprietary rights of the Academy Board and the ESP to curriculum or educational materials. At a minimum, ESP agreements shall provide that the Academy owns all proprietary rights to curriculum or educational materials that (i) are both directly developed and paid for by the Academy; or (ii) were developed by the ESP at the direction of the Academy Board with Academy funds dedicated for the specific purpose of developing such curriculum or materials. ESP agreements may also include a provision that restricts the Academy's proprietary rights over curriculum or educational materials previously developed or copyrighted by the ESP, or curriculum or educational

materials that are developed by the ESP using funds from the Academy that are not dedicated for the specific purpose of developing Academy curriculum or educational materials. All ESP agreements shall recognize that the ESP's educational materials and teaching techniques used by the Academy are subject to disclosure under the Revised School Code and the Freedom of Information Act.

11. An ESP agreement under which an ESP provides persons to perform work at the Academy must be clear about which persons or positions are employees of the ESP, and which persons or positions are employees of the Academy. If the ESP leases employees to the Academy, the ESP agreement must provide that the leasing company accepts full liability for benefits, salaries, worker's compensation, unemployment compensation and liability insurance for its employees leased to the Academy or working on Academy operations. If the Academy is staffed through an employee leasing agreement, legal confirmation must be provided to the Academy Board that the employment structure qualifies as employee leasing.
12. An ESP agreement must contain a provision outlining the insurance coverages and amounts the ESP is required to procure. The ESP's insurance is separate from and in addition to the insurance the Academy Board is required to obtain under the Contract.
13. Marketing and development costs paid by or charged to the Academy shall be limited to those costs specific to the Academy program, and shall not include any costs for the marketing and development of the ESP.
14. An ESP agreement shall contain a provision that the Academy designates the employees of the ESP as agents of the Academy having legitimate educational interest such that they are entitled to access to educational records under 20 U.S.C. Section 1232g, the Family Educational Rights and Privacy Act ("FERPA").
15. Any arbitration clause(s) contained with the ESP agreement shall require a cause opinion (written explanation) as to the final decision. The cause opinion shall be made available to the College Board or CSO upon request.
16. The maximum term of an ESP agreement shall not exceed the term of the Academy's Contract.

D. Lease and Loan Agreement Provisions

1. If the Academy intends to enter into a lease, execute promissory notes or other negotiable instruments, or enter into a lease-purchase agreement or other financing relationships with the ESP, then such agreements must be separately documented, separately approved, and not be a part of or incorporated into the ESP agreement. All such agreements must comply with the Charter Contract, as well as any applicable College Board and CSO policies.