

## **AGREEMENT**

This Agreement (the “Agreement”) is made and entered into this \_\_20th\_ day of April, 2022, by and between The American Quality Schools Corporation, an Illinois non-profit corporation (“AQS”) and Arkansas Military And First Responders Academy, Inc., an Arkansas non-profit corporation and open enrollment public charter school (“AMFRA”).

WHEREAS, AQS has received a charter to operate a military and first responders charter high school opening in August 2023 (the “Charter”);

WHEREAS, AQS is a 501(c)(3) tax exempt status organization;

WHEREAS, AQS is the sole member of AMFRA, LLC, an Arkansas limited liability company (the “LLC”); and

The purpose of this Agreement is to provide for an orderly transition of the school charter issued to AQS by the Arkansas State Board of Education from AQS to AMFRA; and

The reason for such a transition is to accomplish the most effective organization and operation of the charter school with an organization based in Arkansas. Both AQS and AMFRA believe the most efficient operation and governance of charter schools is done at the most local level, and this Agreement provides the process for such local control to be made operational; and

AQS and AMFRA wish to enter into an agreement outlining indemnification and future transfer of ownership of the LLC; the parties, intending to be legally bound, hereby agree as follows:

1. **Term and Termination.** The Term of this Agreement is twelve (12) months. Should all steps specified in this memorandum not be complete within the contract period, this agreement shall no longer be valid and operational, and a new agreement will, if necessary, be negotiated between AQS and LLC.
2. **The Transition Process.**
  - a. LLC will establish a bank account under its corporate name in the state of Arkansas for the purpose of receiving and expending of funds for the planning and operation of the charter school, scheduled to open in the 2023-2024 academic year.
  - b. AQS authorizes LLC to receive and dispense such funds for school purposes subject to specific stipulations as required by AQS as set forth below:
    - (1) LLC may authorize the expenditure of funds in the school account, up to and including the amount of \$10,000 without AQS approval;
    - (2) AQS, must be given a monthly report regarding such expenditures;
    - (3) Expenditures in excess of \$10,000 can be done by LLC only in consultation with, and approval of, the President of AQS;
    - (4) All personnel employed and receiving funds from the LLC account, from the period May 1, 2022 to May 1, 2023, can be hired by designated administrators of LLC;

- (5) Such employment will not require AQS approval but will require that AQS be informed of the persons employed and their qualifications and credentials for the specific position.
- c. LLC shall establish the curriculum for the school in compliance with Arkansas standards. This curriculum need not have the approval of AQS.
  - d. LLC shall establish, through its Board of Directors, policies for the school. These policies need not have the approval of AQS.
  - e. LLC shall not enter into any legal agreements or contracts, other than school personnel contracts, without the prior knowledge and full approval of AQS.
  - f. LLC shall engage in the process and negotiation for the selection of the potential site where the school will be located. This process need not have the approval of AQS but will require that LLC report to AQS the final results of such negotiation. The expenditure of funds for this process will be subject to the financial stipulations referenced above in sections “b and e”.
  - g. LLC shall indemnify and hold AQS harmless from and against any and all liabilities, obligations, claims, damages, demands, causes of action, losses and expenses (including, without limitation, all attorneys’ fees and costs of suit) directly or indirectly, relating to, arising from or in connection with the operation of LLC.. LLC shall provide AQS with documented verification that the provisions of this section “g” have been completed.
  - h. LLC will provide AQS monthly written or oral reports of all activities identified in this memorandum or pertaining to any other aspects of the charter transition and preparation for the successful opening of the school.
3. **Time Schedule for the Transition.** LLC shall immediately begin the process of applying for the transition of the school charter granted to AQS to LLC through the appropriate regulations required by the Arkansas State Board of Education.
- a. AMFRA shall immediately submit the appropriate documentation for application to be designated as a 501(c)(3) not-for-profit corporation.
  - b. Upon AQS receiving an official document from the Arkansas State Board of Education verifying that the charter transfer has been approved and that the 501(c)(3) status of AMFRA has been obtained, AQS will immediately cease to have any authority, responsibility, or accountability for the opening or management of AMFRA and this Agreement shall terminate.
  - c. Transfer of Charter. AQS shall apply to the Arkansas State Board of Education for transfer of the Charter from AQS to the LLC and shall exercise reasonable speed and diligence in such application. All fees and expenses related to the transfer of the Charter will be paid by LLC. Until transfer of the Charter is approved, AQS will, through its designated representatives of LLC, perform and supervise all necessary tasks related to a school opening in the academic year 2023-4.
  - d. Application for Tax Status. AMFRA shall apply to the Internal Revenue Service for

its own 501(c)(3) tax exempt status and shall exercise reasonable speed and diligence in submitting this application. AQS shall supply necessary documentation from its own application to assist in the drafting of AMFRA's application.

- e. **Transfer of Ownership.** Upon AMFRA's receiving its 501(c)(3) designation from the Internal Revenue Service, AQS shall immediately transfer the membership interests of the LLC to AMFRA.
4. **Indemnification and Hold Harmless.** AMFRA shall indemnify and hold AQS harmless from and against any and all liabilities, obligations, claims, damages, demands, causes of action, losses and expenses (including, without limitation, reasonable attorneys' fees and costs of suit) directly or indirectly relating to, arising from or in connection with the operation of the military and first responders charter high school.
5. **Dispute Resolution.** Any issues or disagreements resulting from the implementation of the contents of this agreement shall be resolved by the president of American Quality Schools (AQS) with the designated officer of AMFRA. Should such resolution require legal counsel, such counsel will be done through mutual agreement of both AQS and AMFRA.

The American Quality Schools Corporation:  
Attn: Dr. Michael Bakalis  
mbakalis@aq.s.org

Arkansas Military and First Responders Academy, Inc.  
Attn: Paul Vallas  
Chief Operating Officer  
paulgallas@gmail.com

(SIGNATURE PAGE TO FOLLOW)

IN WITNESS WHEREOF, AQS and AMFRA have executed this Agreement by their duly authorized officers, as of the date and year first above written.


**AQS**

**The American Quality Schools Corporation,**  
an Illinois non-profit corporation

By:   
Name: Dr. Michael Bakalis  
Title: President

**AMFRA**

**Arkansas Military and First Responders  
Academy, Inc.,** an Arkansas non-profit  
corporation

By:   
Name: Paul G. Vallas  
Title: Chief Operating Officer

*(Signature Page to Agreement)*