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OAKLAND UNIFIED
SCHOOL DISTRICT

Community Schools, Thriving Students

Memo

To Board of Education

From Jacqueline Minor, General Counsel

Board Meeting Date March 20, 2013

Subject **American Indian Public Charter School, American Indian Public Charter School II, American Indian Public High School: Revocation Proceedings**

Action Requested **Revoke** the charter granted to American Indian Model Schools (AIMS) for the operation of American Indian Public Charter School, American Indian Public Charter School II, and the American Indian Public High School

Background AIMS currently holds three charters granted by OUSD

School	Renewal Term	Location
American Indian Public High School ("AIPHS")	July 1, 2011 – July 1, 2016	Location: 3637 Magee Avenue, Oakland, CA Approved satellite location: 171 12 th Street, Oakland
American Indian Public Charter School, Grades 6-8	July 1, 2011 – July 1, 2016	3637 Magee Avenue, Oakland
American Indian Public Charter School II, Grades K-8	July 1, 2012 – June 30, 2017	171 12 th Street, Oakland

In late 2011, the Alameda County Superintendent of Schools requested that the Fiscal Crisis Management Assistance Team ("FCMAT") initiate an investigation of AIMS.

On June 12, 2012, FCMAT issued an "Extraordinary Audit of the American Indian Model Charter Schools," detailing findings of conflict of interest violations, fiscal mismanagement and improper use of public funds. The County Superintendent referred the FCMAT report to the Alameda County District Attorney. As a result of the FCMAT findings, the California Department of Education terminated After School Education and Safety Program (ASES) funding to AIMS effective July 1, 2012 and the California

Finance Authority found AIMS in default of the Charter School Facilities Grant Agreements.

The Board approved the issuance of a Notice of Violation (“NOV”) against AIMS at its September 27, 2012 meeting. The Board provided AIMS a 60-day period in which to remedy the violations identified in the NOV. On November 26, 2012, AIMS provided its written response to the NOV.

The Board voted to issue a Notice of Intent to Revoke at its January 23, 2013 meeting. The Board held a public hearing on the Notice of Intent to Revoke on February 27, 2013. The Board will take final action on whether to revoke the AIMS charters on March 20, 2013.

Discussion

The District has considered the Notice of Violation, AIMS November Response to the Notice of Violation, the Notice of Intent to Revoke, AIMS February Supplemental Response, the public testimony at the September 23, 2012 and January 23, 2013 OUSD Board meetings, and the public testimony at the February 27, 2013 public hearing. The District has also considered the academic performance of the three AIMS schools on the 2012 Academic Performance Index (“API”) Test:

AIPCS: 974 API
AIPCS II: 981 API
AIPHS: 928 API

The District acknowledges that the AIMS charter schools have a track record of high academic performance. Charter law, however, makes the District the steward of all aspects of a charter school’s operations, not just academic performance. In addition to ensuring that the AIMS schools meet their educational objectives, the District also has an obligation under the law to ensure that AIMS properly uses public funds, that it does not engage in fiscal mismanagement, and that applicable laws are followed. In short, the District has an obligation to ensure that the AIMS schools meet their legal and ethical obligations, both inside and outside the classroom.

Revocation, in response to acts of fiscal misconduct, is a required part of a district’s oversight responsibilities. Education Code Section 47604(c) states that “[a]n authority that grants a charter to a charter school to be operated by, or as, a nonprofit public benefit corporation is not liable for the debts or obligations of the charter school, or for claims arising from the performance of acts, errors, or omissions by the charter school, *if the authority has complied with all oversight responsibilities required by law ...*” (Emphasis Provided.) As the court stated in *California School Boards Ass’n v. State Bd. of Education.*:

The chartering of a school and the charter school's compliance with the law, the regulations, and the conditions imposed on its charter can be matters of serious concern to the public and to our public school system. . . . If monitoring and enforcement are, in reality, either lax or nonexistent, then the entire statutory scheme governing charter schools is called into question. Local school districts and county boards of education, as well as parents and teachers, have a right to expect that charter schools will hew not just to the law, but to their charters and the conditions imposed upon them through official action taken at a public hearing. 186 Cal.App.4th 1298 at 1326 (2010)

Therefore, the courts recognize that the District has an obligation to its pupils, parents, employees, and communities to perform its legal duties and ensure that its charter schools are following the law and properly using public funds.

The District must balance the academic performance of AIMS schools against this weighty legal obligation. The AIMS board committed and permitted conflict of interest violations, failed to recognize or acknowledge those violations, and failed to institute any meaningful institutional reform to prevent their recurrence. The AIMS Board refused to institute sufficient changes in its operations, governance, or financial practices that would have resulted in the AIMS Board relinquishing any measure of power to any third party.

The Superintendent therefore recommends that under Education Code Section 47607(c), the Board of Education **revoke** the charter granted to American Indian Model Schools (AIMS) for the operation of American Indian Public Charter School, American Indian Public Charter School II, and the American Indian Public High School, on the grounds that AIMS:

1. Committed a material breach of a condition, standard, or procedure set forth in the charter (Education Code Section 47607(c)(1)(A));
2. Failed to meet generally accepted accounting principles, and engaged in fiscal mismanagement (Education Code Section 47607(c)(1)(C)); and
3. Violated a provision of law (Education Code Section 47607(c)(1)(D)).



Recommendation	Revoke the charter granted to American Indian Model Schools (AIMS) for the operation of American Indian Public Charter School, American Indian Public Charter School II, and the American Indian Public High School
Fiscal Impact	N/A
Attachments	Staff Report Board Resolution

TO: Board of Education

FROM: Anthony Smith, Ph.D., Superintendent

DATE: March 16, 2013

RE: **American Indian Public Charter School, American Indian Public Charter School II, American Indian Public High School: Revocation Proceedings**

ACTION REQUESTED

Under Education Code Section 47607(c), **Revoke** the charter granted to American Indian Model Schools (AIMS) for the operation of American Indian Public Charter School, American Indian Public Charter School II, and the American Indian Public High School, on the grounds that AIMS:

1. Committed a material breach of a condition, standard, or procedure set forth in the charter;¹
2. Failed to meet generally accepted accounting principles, and engaged in fiscal mismanagement;²and
3. Violated a provision of law³

If the Board accepts the Staff recommendation, the revocation will be effective June 30, 2013 in order to allow students at all three programs to complete the current school year and families to make transition plans for the 2013-2014 school year.

I. PROCEDURAL HISTORY

AIMS currently holds three charters granted by OUSD

School	Renewal Term	Location
American Indian Public High School ("AIPHS")	July 1, 2011 – July 1, 2016	Location: 3637 Magee Avenue, Oakland, CA Approved satellite location: 171 12 th Street, Oakland, CA
American Indian Public Charter School, Grades 6-8	July 1, 2011 – July 1, 2016	3637 Magee Avenue, Oakland, CA
American Indian Public Charter School II, Grades K-8	July 1, 2012 – June 30, 2017	171 12 th Street, Oakland, CA

¹ Education Code Section 47607(c)(1)(A)
² Education Code Section 47607(c)(1)(C)
³ Education Code Section 47607(c)(1)(D)

In late 2011, the Alameda County Superintendent of Schools requested that the Fiscal Crisis Management Assistance Team ("FCMAT") initiate an investigation of AIMS.

On June 12, 2012, FCMAT issued an "Extraordinary Audit of the American Indian Model Charter Schools," detailing findings of conflict of interest violations, fiscal mismanagement and improper use of public funds. The County Superintendent referred the FCMAT report to the Alameda County District Attorney. **(Exhibit 9 to the Resolution.)** As a result of the FCMAT findings, the California Department of Education terminated After School Education and Safety Program (ASES) funding to AIMS effective July 1, 2012 and the California Finance Authority found AIMS in default of the Charter School Facilities Grant Agreements. **(Exhibit 10 to the Resolution.)**

The OUSD Board of Education ("Board") approved the issuance of a Notice of Violation ("NOV") against AIMS at its September 27, 2012 meeting. **(Exhibit 1 to the Resolution.)** The Board provided AIMS a 60-day period in which to remedy the violations identified in the NOV. On November 26, 2012, AIMS provided its written response to the NOV.

The Board voted to issue a Notice of Intent to Revoke at its January 23, 2013 meeting. **(Exhibit 2 to the Resolution.)** The Board held a public hearing on the Notice of Intent to Revoke on February 27, 2013. The Board will take final action on whether to revoke the AIMS charters on March 20, 2013.

II. STATUTORY REQUIREMENTS

California Education Code Section 47607(c)(1) provides the grounds for revocation of a charter. A charter may be revoked by the authority that granted the charter . . . if the authority finds, through a showing of substantial evidence, that the charter school did any of the following:

1. Committed a material violation of any of the conditions, standards, or procedures set forth in the charter;
2. Failed to meet or pursue any of the pupil outcomes identified in the charter;
3. Failed to meet generally-accepted accounting principles, or engaged in fiscal mismanagement; or
4. Violated any provision of law.

Effective January 1, 2013, Section 47607(c)(2) of the Education Code was added to provide that the authority that granted the charter shall consider increases in pupil academic achievement for all groups served by the charter school as the most important factor in determining whether to revoke a charter.

The new provision defines “all groups of pupils served by the charter schools” as “numerically significant pupil subgroups” in the following categories: ethnic subgroups, socioeconomically disadvantaged pupils, English learners, and pupils with disabilities.⁴

Prior to revocation, the authority that granted the charter must ⁵

1. Notify the charter public school of any violation;
2. Give the school a reasonable opportunity to remedy the violation, unless the authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils;
3. Issue the Notice of Intent to Revoke;
4. Conduct a public hearing on the potential revocation.

If the charter authority revokes the charter, the charter school may appeal the revocation to the County Board, and, if the revocation is upheld by the County Board, to the State Board of Education.⁶

III. NOTICE OF VIOLATION AND AIMS RESPONSE

A. Notice of Violation

The Notice of Violation contained allegations that the AIMS Board engaged in acts of misconduct, including but not limited to the following:

1. Allowing the AIMS founder to personally profit in the sum of approximately \$3.8 million in public funds through contracts between AIMS and companies owned by the founder and/or his spouse in violation of conflict of interest laws; and
2. Failing to maintain financial or operational control over AIMS operations, which resulted in:
 - a) Inappropriate use of AIMS credit cards;
 - b) Forgery of an attendance record;
 - c) Non-compliance with teacher credentialing requirements; and
 - d) Violation of the After School Education and Safety (ASES) Program grant terms.
3. Failing to follow Generally Accepted Accounting Principles (GAAP), by failing to maintain documentation of fiscal transactions; and failing to disclose losses, such as those from an improper real estate escrow transaction;
4. Failing to make an adequate record of the AIMS Board’s actions, including

⁴ See Education Code Section 52052.

⁵ See Education Code Section 47607(d) and (e)

⁶ See Education Code Section 47607(f)(1) and (3)

failing to maintain board minutes for all meetings and failing to conform board agendas and minutes to the requirements of the Brown Act; and

5. Failing to follow its own rules of governance, including rules regarding selection of new board members.

The Notice of Violation concluded that AIMS had:

1. Committed a material breach of a condition, standard, or procedure set forth in the charter;⁷
2. Failed to meet generally accepted accounting principles, and engaged in fiscal mismanagement;⁸ and
3. Violated a provision of law.⁹

The Notice of Violation provided AIMS sixty (60) days to remedy the violations and provide a written response. The Notice of Violation required AIMS to address the violations and identify remedial steps in the areas raised in the NOV, including but not limited to the following:

1. Management of the AIMS organization to ensure compliance with applicable legal requirements, including enrollment and teacher credentials.
2. Changes to [the] structure and operation of [the] AIMS governing board to ensure greater fiscal and operational control.
3. Identification of a responsible agent for AIMS fiscal operations.
4. Institution of conflict of interest enforcement procedures.
5. Appropriate separation of founder and spouse from all aspects of AIMS operations. **(Resolution, Exhibit 1 at pp. 54-55 to the Notice of Violation.)**

B. AIMS Response to Notice of Violations

On November 26, 2012, AIMS submitted a written response to the Notice of Violation in the form of thirteen binders (the "November Response"). The Superintendent and staff conducted an extensive review of the November Response and concluded that the response did not remedy the violations set forth in the Notice of Violation. Specifically, AIMS' response did not identify remedial steps to address: 1) management of the AIMS organization to ensure compliance with applicable legal requirements; 2) changes to the structure and operation of the AIMS governing board to ensure greater fiscal and operational control; 3) retention of a fiscal agent; 4) institution of conflict of interest enforcement procedures; 5) appropriate separation of founder and spouse from all aspects of AIMS operations; and 6) disgorgement of public funds inappropriately paid to the founder.

⁷ Education Code Section 47607(c)(1)(A).

⁸ Education Code Section 47607(c)(1)(C).

⁹ Education Code Section 47607(c)(1)(D).

Therefore the Superintendent recommended that the Board approve a Notice of Intent to Revoke the AIMS charters under Education Code Section 47607(e).

IV. NOTICE OF INTENT TO REVOKE, PUBLIC HEARING, AND SUPPLEMENTAL RESPONSES

On January 23, 2013, the Board approved the Notice of Intent to Revoke, and the District served the Notice on AIMS the following day. The Notice of Intent to Revoke concluded that AIMS, in its response to the Notice of Violation, failed to remedy the violations set forth in the Notice of Violation, including but not limited to the following:

1. "AIMS did not acknowledge that its founder, Ben Chavis, committed conflict of interest violations, nor did AIMS take steps to address those conflicts of interests.
2. AIMS failed to institute acceptable institutional reforms to safeguard against future violations.
3. AIMS failed to institute acceptable changes in its financial and operational procedures to ensure that future fiscal mismanagement does not occur.
4. AIMS failed to engage sufficient institutional expertise, such as a charter management organization, to implement the necessary institutional and organizational overhaul of its operations.
5. AIMS failed to address in an acceptable manner any means or process for defining the role of the founder or achieving the necessary separation of him from the organization." **(Notice of Intent to Revoke, Exhibit 2 at p. 2. to the Resolution.)**

On February 27, 2013, in compliance with Education Code section 47607(e), the Board held a public hearing on whether substantial evidence existed to revoke the AIMS charters.

On the same day, prior to the public hearing (and after the expiration of the 60-day remedy period on November 28, 2012), AIMS submitted a list of 48 steps (and two binders of documents) it had undertaken in response to the Notice of Violation and Notice of Intent to Revoke, as well as additional supporting documentation (the "February Supplemental Response"). **(Exhibit 3 to the Resolution.)**

V. STANDARD OF REVIEW

Education Code Section 47607(c)(1) provides that a charter may be revoked "through a showing of substantial evidence" that the charter school violated one of the conditions of revocation set forth therein. Evidence is "substantial" if any reasonable trier of fact could have considered it reasonable, credible, and of solid value. Substantial evidence is relevant evidence that a reasonable mind might accept as adequate to support a conclusion. A conclusion may be supported by substantial evidence even if reasonable

people could disagree as to the conclusion.¹⁰ In addition, as noted above, effective January 1, 2013, Section 47607(c)(2) of the Education Code was added to provide that the authority that granted the charter shall consider increases in pupil academic achievement for all groups served by the charter school as the most important factor in determining whether to revoke a charter.

VI. SUBSTANTIAL EVIDENCE REGARDING VIOLATIONS

The recommendation to revoke the AIMS charters is based on substantial evidence that AIMS committed violations of the law and of its charters; engaged in fiscal mismanagement; and failed to follow generally accepted accounting principles.

1. *The founder improperly received \$3.8 million in public funding through contracts with AIMS that violated conflict of interest laws.*

Contracts between AIMS and its founder violated the Political Reform Act (Government Code Section 87100 *et seq.*), Government Code Section 1090, and AIMS' charters. These contracts, which included leases for all three school sites, were entered into between AIMS and companies owned by the founder and/or his spouse.

The founder and/or his spouse profited in the amounts indicated below from their contracts with AIMS.

Beneficiary	Nature of Services	Dates of Transactions	Amount
ADS/Lumbree (Ben Chavis, Owner)	Lease, Construction	2007-2008	\$ 348,500
American Delivery Systems (Ben Chavis, Owner)	Construction	7/1/09-12/31/11	\$ 38,000
AAFS (Marsha Amador, Owner)	Financial Services	7/1/09-12/31/11	\$ 325,833
Lumbree Holdings (Ben Chavis, Owner)	Rent and Storage	7/1/09-Present	\$1,338,065
American Delivery Systems (Ben Chavis, Owner)	Rent and Storage	7/1/09-Present	\$1,109,495
SAIL	Summer Mathematics Program	7/1/09-12/31/11	\$ 458,000
OASES	ASES Grant Administration	7/1/10-12/31/11	\$ 105,000
Lumbree Holdings	Unrecovered Escrow	1/1/09 – 9/30/09	\$ 30,000

¹⁰ *Kearl v. Board of Medical Quality Assurance*, 189 Cal.App.3d 1040 (1986); *Estate of Teed*, 112 Cal.App.2d 638, 644, 247 P.2d 54 (1952); *Polanski v. Super*, Ct 180 Cal.App.4th 507, 537 (2009).

Beneficiary	Nature of Services	Dates of Transactions	Amount
(Ben Chavis, Owner)	Deposit		
Ben Chavis	Wages	7/1/09 – 12/31/11	\$ 130,265
Ben Chavis	Unsupported Credit Card Charges, including AZ charter formation	7/1/09 – 12/31/11	\$ 25,748
Marsha Amador	Financial Services	7/1/09 – 12/31/11	\$ 30,000
TOTAL			\$ 3,939,336

a. The contracts with the founder violated the Political Reform Act.

The Political Reform Act prohibits public officials—including officers and employees—from entering into any contract in which they hold a financial interest. The regulations implementing the Political Reform Act contain an eight-step test to determine whether a conflict of interest exists.

As shown below, all eight steps apply to the founder's contracts with AIMS. The contracts, therefore, violated the Political Reform Act.

Step	Criteria	Application
1:	Is a "public official" involved?	Yes: The founder was director of AIMS schools, and a board member briefly. ¹¹
2:	Is the public official making, participating in making, or influencing or attempting to influence a governmental decision?	Yes: The founder wrote checks from AIMS bank accounts to his own companies.
3:	Does the public official have an "economic interest" involved in the decision?	Yes: AIMS funds were paid directly to the founder's companies.
4:	Are the public official's economic interests directly or indirectly involved in the decision?	Yes: The founder directly benefited from contracts.
5:	What materiality standard applies?	Yes: The founder's financial interest was material.
6:	Are public official's economic interests materially affected by the decision? Are they important enough to trigger a conflict as defined by the Political Reform Act?	Yes. The founder was directly paid through the contracts.
7:	Does the "Public Generally" exception apply?	No. The founder and his spouse were the sole parties receiving payment from AIMS under these contracts.
8:	Is the public official's participation legally required?	No. No steps were taken to recuse or abstain. In fact, the founder wrote checks to himself.

¹¹ See Government Code Section 82048 (including employees under the Political Reform Act); *Wilson v. State Board of Education* (1999) 75 Cal.App.4th 1125 (charter school officials are public officials); FPPC Advice Letter 98-234 (charter school officials subject to Political Reform Act.)

b. The contracts violated the AIMS Charters.

The AIMS charters expressly state that the Board will comply with the Political Reform Act.¹² Because the contracts violated the Political Reform Act, the contracts violated AIMS charters as well.

c. The contracts violated Government Code Section 1090.

Government Code Section 1090 prohibits public officials—including officers and employees—from entering into any contract in which they hold a financial interest.¹³ Government Code Section 1090 applies even where a public official or employee does *not* participate in the execution of the questioned contract. (*People v. Sobel*, 40 Cal.App.3d 1046, 1052 (1974).) Under Government Code Section 1090, the AIMS Board was prohibited from entering into any of the contracts with the founder's companies.

2. AIMS failed to maintain financial or operational control over AIMS operations, which resulted in the following:

- a. Inappropriate use of AIMS credit cards **(NOV at pp 21-22)**;
- b. Forgery of an attendance record **(NOV at p 23)**;
- c. Non-compliance with teacher credentialing requirements **(NOV at pp 23-24)**; and
- d. Violation of the After School Education and Safety (ASES) Program grant terms **(Exhibit 10 to the Resolution)**.

3. AIMS failed to follow Generally Accepted Accounting Principles (GAAP).

- a. AIMS failed to maintain documentation of fiscal transactions **(NOV at pp 25-27)**; and
- b. AIMS failed to disclose losses, such as those from an improper real estate escrow transaction. **(NOV at p 22 and Exhibit 2 to the Resolution.)**

VII. AIMS Failed to Remedy the Violations that Gave Rise to the Revocation Proceedings.

A. AIMS failed to institute acceptable institutional reforms to safeguard against future conflict of interest violations.

AIMS has still not unconditionally acknowledged the conflict of interest violations. AIMS new conflict of interest policy does not sufficiently safeguard against future conflict of interest violations. The revised policy contains only a recitation of the barebones requirements of the Political Reform Act. The policy also fails to address compliance with Government Code Section 1090.

¹² AIPCS Charter, Governance (Section IV), pp. 32-33 (0053-0104); AIPCS II Charter, Governance (Section IV), pp. 31-32 (0105-0157); AIPHS Charter, Governance (Section IV), pp. 30-31 (0001-0052).

¹³ The founder's financial interests *do not* fall into any of the exemptions to the law; the founder's interests were neither "remote" nor "non-interests."

Moreover, AIMS has not instituted an adequate system of checks and balances to prevent future conflicts. AIMS has not implemented any permanent or ongoing training regarding conflicts, nor has it implemented a sufficient procedure for clearing conflicts in advance of transactions. AIMS Fiscal Administrator Diane Hatcher stated at the January 23, 2013 OUSD Board meeting that she conducts a review of all contracts for conflict of interest violations. AIMS submitted no documentation, however, describing the procedures or criteria for this review, and did not identify any additional training or support provided to ensure that the review incorporated all applicable conflict of interest laws.

B. AIMS failed to retain or contract for sufficient institutional expertise, such as a charter management organization.

In the February Supplemental Response, AIMS stated it requested and received a contract with the Charter School Management Corporation (CSMC) for “comprehensive back-office services and charter vision access.” This statement is misleading. According to CSMC, AIMS has never entered into a contract with CSMC. Indeed, according to CSMC staff, CSMC would not have entered into an agreement with AIMS unless AIMS had made significant governance changes.¹⁴

In fact, in its November Response, AIMS denied the need for a Charter Management Organization, citing the cost. (Binder 3.) Therefore, not only was AIMS February Supplemental Response misleading, it contradicted the statement in the November Response that AIMS declined to retain a CMO for financial reasons.

C. AIMS failed to institute acceptable changes in its financial and operational procedures to ensure that future fiscal mismanagement does not occur.

In its February Supplemental Response, AIMS stated that it has a contract with Mr. Martin to “ensure productive fiscal management of AIM Schools.” AIMS contract with Mr. Martin does not constitute a sufficient remedy to address its history of financial mismanagement. AIMS provided no details about what services Mr. Martin will provide to AIMS or whether he will have any authority to implement necessary changes. Moreover, the representation by AIMS that Mr. Martin has “over 10 years of experience in financial procedures with charter schools” is exaggerated. Mr. Martin’s résumé demonstrates that he has little more than two years of experience in charter school finance. In short, Mr. Martin does not have the experience necessary to implement an overhaul of financial practices at AIMS.

Other steps taken by AIMS to institute changes to its financial and operational procedures are also insufficient. AIMS has retained new personnel in the area of fiscal operations but the new staff members have little experience in the public sector. AIMS has retained a new auditor, Vavrinek, Trine & Day LLP, but the auditor is responsible for annual financial audits, not everyday financial operations.

¹⁴ Nick Driver of CSMC told District Staff that CSMC sent AIMS a proposal, but “we never heard back from them. We would not have worked with them unless they were ready to make significant governance changes.”

D. AIMS failed to institute structural or permanent changes to the governing board.

None of the measures identified by AIMS constitutes the significant institutional reform required to remedy the many violations identified by FCMAT and the Notice of Violations and Notice of Intent to Revoke. The AIMS Board has undergone significant turnover and Board members who shared dissenting views have been removed.¹⁵ The AIMS Board was unable to sustain a relationship with any of the attorneys¹⁶ and consultants that it retained. Moreover, as is set forth below, AIMS submitted misleading information to the District during these revocation proceedings under the current Board leadership.

E. AIMS failed to adequately ensure a proper separation between the founder and the organization.

The AIMS Board has not indicated any intent to file lawsuits against the founder and/or his spouse or to take any other steps to disgorge any of the funds arising from the interested contracts, as was urged in the District's January 24, 2013 Notice of Intent to Revoke. (**Exhibit 1 to the Resolution, p. 26.**)

AIMS claims that it sent a letter dated June 23, 2012 to the founder addressing the issue of separation. As is noted immediately below (Section VIII), this letter is contradicted by information in AIMS Board meeting minutes.

VIII. AIMS RESPONSES CONTAIN MISLEADING INFORMATION

AIMS submitted misleading documentation in response to the Notice of Violation and Notice of Intent to Revoke. For example:

1. AIMS submitted a letter dated June 23, 2012 from the "AIMS School Board President" that purported to notify the founder and his spouse that they must cease interacting with the AIMS community. (**Exhibit 4 to**

¹⁵ At July 17, 2012 meeting, the AIMS board voted to remove members Michael Stember and Chris Rodriguez, who had advocated for a third-party investigation into the findings in the FCMAT Report. (Exhibit 6 and 7 to the Resolution.)

¹⁶ Jennifer McQuarrie was retained by the AIMS Board on June 19, 2012. Ms. McQuarrie subsequently advised the District Charter Office that she voluntarily terminated the day after AIMS Board Directors Rodriguez and Stember were removed from the Board. Paul Minney was retained by AIMS from September 7, 2012 to October 8, 2012. The records provided to the District indicate that Mr. Minney conducted a governance workshop for the AIMS Board at its 8/31/12 meeting and that the contract to retain him was approved at the September 7, 2012 AIMS Board meeting. Mr. Minney also attended a meeting on September 20, 2012 with the District's Charter Office and legal counsel for the District, John Yeh, to discuss the NOV. On October 8, 2012, in response to an e-mail inquiry from legal counsel for the District, Mr. Minney advised the District that he no longer represented AIMS.

the Resolution.) The District, however, cannot verify the authenticity of this letter, and the documentation in the record suggests that the letter is not authentic:

Minutes from the June 24, 2012 AIMS Board meeting—which took place one day after the letter was purportedly sent—state that no letters were sent regarding the separation of the founder. The minutes state: “[r]eview and approve notices to Dr. Ben Chavis and Mrs. Marsha Amador, school staff, parents and students regarding Dr. Ben Chavis continued relationship with AIMS schools: No action was taken. Mr. Chris Rodriguez says the committee consisting of the President, Ms. Jackson and Mr. Rodriguez was unable to reach a consensus.” **(Exhibit 5 to the Resolution.)** District staff attending the meeting reported that Board member Chris Rodriguez explicitly stated that he and Ms. Jackson-Martinez had decided *not* to send any letters at that time.¹⁷

2. AIMS submitted a written statement signed by three former AIMS Board members claiming that the AIMS board approved the contracts with the founder’s company (ADS) with full knowledge of his financial interest. This claim is not supported by AIMS Board agendas and minutes, which show that the contracts were not even considered during those meetings. Moreover, not all of the individuals signing the statement were in attendance at those meetings. **(Exhibit 2, Exhibit Rev-B thereto to the Resolution.)**¹⁸
3. AIMS submitted a memorandum dated July 15, 2011 that purported to reprimand former AIMS director Sophath Mey and reassign her to the position of Site Administrator. In fact, Ms. Mey provided a declaration that she never received the July 15, 2011 memorandum, though AIMS submitted it in its November Response as documentary evidence in support of its claim that it had remedied the allegations of lack of fiscal control. **(Exhibit 8 to the Resolution.)**
4. AIMS claimed that the founder sent a November 18, 2010 memorandum to Mey stating that OASES¹⁹ would not charge AIMS the 15 percent administrative fee for administration of the ASES grant. AIMS submitted

¹⁷ It is further noted that at its July 17, 2012 meeting, the AIMS board voted to remove members Michael Stember and Chris Rodriguez, who had advocated for a third-party investigation into the findings in the FCMAT Report. (Exhibit 6 and 7 to the Resolution.)

¹⁸ Amy Cai is listed as serving from 2004-2006, and appears in minutes from 2005-2006, though not for the 1/20/06 meeting. She is listed as a “guest” in attendance at the 3/15/07 meeting, indicating that she was no longer on the Board at that time. Atiba/Sylvia Thomas appears in minutes more sporadically from 2005-2007. She was not in attendance on 1/20/06, but was on 3/15/07.

¹⁹ OASES, a company in which Dr. Chavis has an ownership interest, provides oversight to charter schools. It was paid \$105,000 by AIMS to administer the ASES grant from July 2010 to December 2011.

this documentation in support of its claim that it did not exceed the threshold for administrative services in spending the ASES grant funds. Mey provided a declaration that she never received this memorandum. **(Exhibit 8 to the Resolution.)**

IX. Consideration of Student Achievement

Effective January 1, 2013, Section 47607(c)(2) of the Education Code was amended to provide that the authority that granted the charter shall consider increases in pupil academic achievement for all groups served by the charter school as the most important factor in determining whether to revoke a charter.

Although the performance of AIMS students is an important factor in its decision, the Staff believes that AIMS failure to remedy the conflict of interest violations, its failure to institute sufficient changes to the management of the AIMS organization, its failure to institute structural or permanent changes to the governing board, its failure to take action to recover the public funds intended for AIMS students paid to Dr. Chavis, and its lack of candor in response to the District's revocation proceedings, outweigh all other factors in considering whether to revoke the AIMS charters, including the schools' academic performance.

X. RECOMMENDATION

The Superintendent and his staff have considered the Notice of Violation, AIMS November Response to the Notice of Violation, the Notice of Intent to Revoke, AIMS February Supplemental Response, the public testimony at the September 23, 2012 and January 23, 2013 OUSD Board meetings, and the public testimony at the February 27, 2013 public hearing. The Board has also considered the academic performance of the three AIMS schools on the 2012 Academic Performance Index ("API") Test:

AIPCS: 974 API
AIPCS II: 981 API
AIPHS: 928 API

The District acknowledges that the AIMS charter schools have a track record of high academic performance. Charter law, however, makes the District the steward of all aspects of a charter school's operations, not just academic performance. In addition to ensuring that the AIMS schools meet their educational objectives, the District also has an obligation under the law to ensure that AIMS properly uses public funds, that it does not engage in fiscal mismanagement, and that applicable laws are followed. In short, the District has an obligation to ensure that the AIMS schools meet their legal and ethical obligations, both inside and outside the classroom.

Revocation, in response to acts of fiscal misconduct, is a required part of a district's oversight responsibilities. Education Code Section 47604(c) states that "[a]n authority that grants a charter to a charter school to be operated by, or as, a nonprofit public benefit corporation is not liable for the debts or obligations of the charter school, or for

claims arising from the performance of acts, errors, or omissions by the charter school, *if the authority has complied with all oversight responsibilities required by law ...*" (Emphasis Provided.) As the court stated in *California School Boards Ass'n v. State Bd. of Education* .:

The chartering of a school and the charter school's compliance with the law, the regulations, and the conditions imposed on its charter can be matters of serious concern to the public and to our public school system. . . . If monitoring and enforcement are, in reality, either lax or nonexistent, then the entire statutory scheme governing charter schools is called into question. Local school districts and county boards of education, as well as parents and teachers, have a right to expect that charter schools will hew not just to the law, but to their charters and the conditions imposed upon them through official action taken at a public hearing. 186 Cal.App.4th 1298 at 1326 (2010)

Therefore, the courts recognize that the District has an obligation to its pupils, parents, employees, and communities to perform its legal duties and ensure that its charter schools are following the law and properly using public funds.

The District must balance the academic performance of AIMS schools against this weighty legal obligation. As has been noted above, the AIMS board committed and permitted conflict of interest violations, failed to recognize or acknowledge those violations, and failed to institute any meaningful institutional reform to prevent their recurrence. The AIMS Board refused to institute sufficient changes in its operations, governance, or financial practices that would have resulted in the AIMS Board relinquishing any measure of power to any third party. The significant turnover in AIMS Board members, attorneys, and consultants are symptomatic of an institutional resistance to dissenting views and change.

The Superintendent therefore recommends that under Education Code Section 47607(c), the Board of Education **revoke** the charter granted to American Indian Model Schools (AIMS) for the operation of American Indian Public Charter School, American Indian Public Charter School II, and the American Indian Public High School, on the grounds that AIMS:

1. Committed a material breach of a condition, standard, or procedure set forth in the charter (Education Code Section 47607(c)(1)(A));
2. Failed to meet generally accepted accounting principles, and engaged in fiscal mismanagement (Education Code Section 47607(c)(1)(C)); and
3. Violated a provision of law (Education Code Section 47607(c)(1)(D)).

**GOVERNING BOARD OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

RESOLUTION NO. 1213-0124

**REVOKING THE CHARTER OF THE
AMERICAN INDIAN MODEL SCHOOLS**

WHEREAS, by enacting the Charter Schools Act (Ed. Code §§ 47600, *et seq.*), the Legislature has declared its intent to provide opportunities to teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure for the purposes specified therein; and

WHEREAS, in accordance with the intent, purposes, and requirements of the Charter Schools Act, the Governing Board of the Oakland Unified School District (“OUSD Board”) granted petitions and charters for the establishment of the American Indian Model Schools charter schools as follows:

- a. American Indian Public High School, Renewal Term July 1, 2011 – July 1, 2016 (California Department of Education Charter No. 01-61259-0111856);
- b. American Indian Public Charter School, Grades 6-8, Renewal Term July 1, 2011 – July 1, 2016 (California Department of Education Charter No. 01-61259-6113807);
- c. American Indian Public Charter School II, Grades K-8, Renewal Term July 1, 2012 – June 30, 2017 (California Department of Education Charter No. 01-61259-0114363); and

WHEREAS, the Charter Schools Act places charter schools under the jurisdiction of the Public School System and the exclusive control of the officers of the public schools; and

WHEREAS, the Charter Schools Act authorizes the charter-granting authority to revoke a charter where the authority finds that the charter school has done any of the following: committed a material violation of any of the conditions, standards, or procedures set forth in the charter; failed to meet or pursue any of the pupil outcomes identified in the charter; failed to meet generally accepted accounting principles, or engaged in fiscal mismanagement; and/or violated any provision of law; and

WHEREAS, the Governing Board of a public entity that authorizes a charter school has a duty under the law to safeguard public funds by ensuring, among other things, that the charter school meets generally accepted accounting principles, engages in sound fiscal practices, and complies with all requirements of law regarding the proper and ethical use of public funds; and

WHEREAS, on June 12, 2012, the Fiscal Crisis Management Assistance Team (“FCMAT”) issued an “Extraordinary Audit of the American Indian Model Charter Schools,” detailing findings of conflict of interest violations, fiscal mismanagement, and improper use of public funds; and

WHEREAS, the County Superintendent referred the FCMAT report to the Alameda County District Attorney, and as a result of the FCMAT findings, effective July 1, 2012, the California Department of Education terminated After School Education and Safety Program (ASES) funding to AIMS and the California Finance Authority found AIMS in default of the Charter School Facilities Grant Agreements; and

WHEREAS, on or about September 27, 2012, the District served upon AIMS, for the three charter schools named above, a "Notice of Violation" under Education Code Section 47607(d) ("Notice of Violation"), a true and correct copy of which is attached as **Exhibit 1** (the approximately 1,000 pages of exhibits to the Notice of Violation are not attached here, but are incorporated by reference into the Notice of Violation);

WHEREAS, the Notice of Violation contained allegations that the AIMS Board engaged in certain acts of misconduct, including but not limited to the following:

1. Allowing the AIMS founder, Ben Chavis, to personally profit in the sum of approximately \$3.8 million in public funds through contracts between AIMS and companies owned by him and/or his spouse in violation of conflict of interest laws; and
2. Failing to maintain financial or operational control over AIMS operations, which resulted in the following: inappropriate use of AIMS credit cards; forgery of an attendance record; non-compliance with teacher credentialing requirements; and violation of the After School Education and Safety (ASES) Program grant terms;
3. Failing to follow Generally Accepted Accounting Principles (GAAP), including failing to maintain documentation of fiscal transactions and failing to disclose losses, such as those from an improper real estate escrow transaction;
4. Failing to make an adequate record of the AIMS Board's actions, including failing to maintain board minutes for all meetings and failing to conform board agendas and minutes to the requirements of the Brown Act;
5. Failing to follow its own rules of governance, including rules regarding selection of new board members.

WHEREAS, the Notice of Violation made the following allegations against AIMS under Education Code Section 47607(c):

1. Committed a material breach of a condition, standard, or procedure set forth in the charter. (Ed. Code § 47607(c)(1)(A));
2. Failed to meet generally accepted accounting principles, or engaged in fiscal mismanagement. (Ed. Code § 47607(c)(1)(C)); and
3. Violated a provision of law. (Ed. Code § 47607(c)(1)(D).)

WHEREAS, the Notice of Violation was based upon approximately 1,000 pages of documentary evidence, whose contents are hereby incorporated by reference into this

Resolution;¹ and

WHEREAS, the Notice of Violation provided AIMS sixty (60) days to remedy the violations and provide a written response to the Notice of Violation; and

WHEREAS, the Notice of Violation stated that “[i]n its written response, AIMS will be expected to address the violations addressed herein and identify remedial steps in the areas raised in the Notice of Violation, including but not limited to the following:

1. “Management of the AIMS organization to ensure compliance with applicable legal requirements, including enrollment and teacher credentials;
2. Changes to [the] structure and operation of [the] AIMS governing board to ensure greater fiscal and operational control;
3. Identification of responsible agent for AIMS fiscal operations;
4. Institution of conflict of interest enforcement procedures;
5. Appropriate separation of founder and spouse from all aspects of AIMS operations.” (Notice of Violation, pp. 54-55.)

WHEREAS, on November 26, 2012, AIMS provided a written response to the Notice of Violation (the “November Response”), as well as documentary support contained in thirteen (13) binders, whose contents are hereby incorporated by reference into this Resolution; and

WHEREAS, the Superintendent conducted an extensive review of the November Response, and, upon concluding that AIMS did not remedy the violations set forth in the Notice of Violation, recommended that the OUSD Board approve a Notice of Intent to Revoke the AIMS charters under Education Code Section 47607(e); and

WHEREAS, on January 23, 2013, the OUSD Board approved a Notice of Intent to Revoke, a true and correct copy of which is attached as **Exhibit 2**; and

WHEREAS, the Notice of Intent to Revoke, which was served on AIMS on January 24, 2013, concluded that AIMS, in its response to the Notice of Violation, had failed to remedy the violations set forth in the Notice of Violation, including but not limited to the following:

1. “AIMS did not acknowledge that its founder, Ben Chavis, committed conflict of interest violations, nor did AIMS take steps to address those conflicts of interests.
2. AIMS failed to institute acceptable institutional reforms to safeguard against future violations.

¹ An electronic copy of the Notice of Violation and Exhibits can be found at the following link on the District’s website:

<http://ousd.legistar.com/LegislationDetail.aspx?ID=1202079&GUID=D14D8974-E4F6-4459-8CBD-711FD612B9DB&Options=&Search=>

3. AIMS failed to institute acceptable changes in its financial and operational procedures to ensure that future fiscal mismanagement does not occur.
4. AIMS failed to engage sufficient institutional expertise, such as a charter management organization, to implement the necessary institutional and organizational overhaul of its operations.
5. AIMS failed to address in an acceptable manner any means or process for defining the role of the founder or achieving the necessary separation of him from the organization." (Notice of Intent to Revoke, [attached hereto as Exhibit 2], p. 2.)

WHEREAS, on February 27, 2013, in compliance with Education Code Section 47607(e), the OUSD Board held a public hearing on whether substantial evidence existed to revoke the AIMS charters; and

WHEREAS, on February 27, 2013 (after the expiration of the 60-day remedy period on November 28, 2012), AIMS submitted a list of 48 steps it had taken in response to the Notice of Violation and Notice of Intent to Revoke (the "February Supplemental Response"), a true and correct copy of which is attached as **Exhibit 3**, as well as additional supporting documentation, all of which is incorporated by reference into this Resolution as if set forth herein; and

WHEREAS, the OUSD Board has considered the Notice of Violation, AIMS November Response, the Notice of Intent to Revoke, AIMS February Supplemental Response, and the documents in support thereof, as well as the public testimony at the September 23, 2012 OUSD Board meeting, the January 23, 2013 OUSD Board meeting, and the February 27, 2013 public hearing; and

WHEREAS, the OUSD Board has provided AIMS with due process through the opportunity to provide written responses to the Notice of Violation, Notice of Intent to Revoke, and the Superintendent's Recommendation as to both Notices, as well as the opportunity to address the OUSD Board in duly-noticed, open-session meetings on September 23, 2012, January 23, 2013 and February 27, 2013, as well as individual meetings with District personnel; and

WHEREAS, Education Code Section 47607(c)(2) provides that "[t]he authority that granted the charter shall consider increases in pupil academic achievement for all groups of pupils served by the charter school as the most important factor in determining whether to revoke a charter;" and

WHEREAS, the three AIMS charter schools achieved the following scores on the 2012 Academic Performance Index ("API") Test:

AIPCS: 974 API
AIPCS II: 981 API
AIPHS: 928 API, and;

WHEREAS, the Superintendent recommends that the OUSD Board revoke the AIMS charters for the reasons set forth in the Superintendent's Recommendation dated March 16, 2013, a true and correct copy of which is attached as **Exhibit 11**;

WHEREAS, the Superintendent recommends that, if the OUSD Board revokes the AIMS charters, the revocation take effect June 30, 2013, to allow time for AIMS students and parents to make transition education plans for the 2013-14 school year; and

WHEREAS, Staff has reached out to the AIMS community to provide information regarding the District's options programs and to facilitate the continuation of excellent educational services to AIMS students; and

WHEREAS, Education Code Section 47604(c) provides that "[a]n authority that grants a charter to a charter school to be operated by, or as, a nonprofit public benefit corporation is not liable for the debts or obligations of the charter school, or for claims arising from the performance of acts, errors, or omissions by the charter school, *if the authority has complied with all oversight responsibilities required by law ...*" [Emphasis Added]

WHEREAS, Education Code § 47607(c) provides that the OUSD Board may revoke a charter upon a showing of substantial evidence that the charter school committed one of the conditions for revocation set forth in that statute; and

WHEREAS, Evidence is "substantial" if any reasonable trier of fact could have considered it reasonable, credible, and of solid value. Substantial evidence is relevant evidence that a reasonable mind might accept as adequate to support a conclusion. *Kearl v. Board of Medical Quality Assurance*, 189 Cal.App.3d 1040 (1986); *Estate of Teed*, 112 Cal.App.2d 638, 644, 247 P.2d 54 (1952); *Polanski v. Super*, Ct 180 Cal.App.4th 507, 537 (2009).

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED by the Governing Board of the Oakland Unified School District that substantial evidence exists that AIMS Charter Schools are hereby found to have:

1. Committed a material breach of a condition, standard, or procedure set forth in the charter. (Ed. Code § 47607(c)(1)(A));
2. Failed to meet generally accepted accounting principles, and engaged in fiscal mismanagement. (Ed. Code § 47607(c)(1)(C)); and
3. Violated a provision of law. (Ed. Code § 47607(c)(1)(D).)

BE IT FURTHER RESOLVED AND ORDERED by the Governing Board of the Oakland

Unified School District that the findings of fact and conclusions of law in the Notice of Intent to Revoke are hereby reaffirmed and incorporated. These findings, which are supported by substantial evidence, include but are not limited to the following:

1. AIMS violated conflict of interest laws, including the Political Reform Act (Government Code § 87100 *et seq.*) and Government Code § 1090 *et seq.*, by entering into contracts with its founder and his spouse, all of which resulted in direct payments from AIMS to the founder's companies and/or his wife's companies. These contracts included the following:
 - a. Leases at all three school sites between AIMS and companies in which the founder had an ownership interest.

<i>School</i>	<i>Renewal Term</i>	<i>Location</i>	<i>Landlord</i>
American Indian Public High School ("AIPHS")	July 1, 2011 – July 1, 2016	Location: 3637 Magee Avenue, Oakland, CA Approved satellite location: 171 12 th Street, Oakland, CA	American Delivery Systems
American Indian Public Charter School, Grades 6-8	July 1, 2011 – July 1, 2016	3637 Magee Avenue, Oakland, CA	American Delivery Systems
American Indian Public Charter School II, Grades K-8	July 1, 2012 – June 30, 2017	171 12 th Street, Oakland, CA	Lumbee Holdings

- b. Construction contracts between AIMS and companies in which the founder held an ownership interest.²
- c. A contract to pay OASES, a company in which the founder had an ownership interest, a 15 percent oversight fee to administer the After School Education and Safety Program (ASES) Grant.
- d. Contracts for fiscal and administrative services between AIMS and A & A Business Solutions LLC and AAFS, companies in which the founder's spouse had a financial interest. (Under community property laws, the founder therefore had a financial interest in the property too.)

2. The founder and/or his spouse personally profited in the sum of approximately

² Pursuant to these contracts, the founder signed checks from AIMS' bank accounts directly to companies in which he held an ownership interest. In short, the founder made payments of public funds directly to himself. (See Exhibit Rev-B to Notice of Intent to Revoke (attached as Exhibit 2 hereto).)

\$3.8 million pursuant to the contracts described below:

<i>Beneficiary</i>	<i>Nature of Services</i>	<i>Dates</i>	<i>Amount</i>
ADS/Lumbee (Ben Chavis, Owner)	Lease, Construction	2007-2008	\$ 348,500
American Delivery Systems (Ben Chavis, Owner)	Construction	7/1/09-12/31/11	\$ 38,000
AAFS (Marsha Amador, Owner)	Financial Services	7/1/09-12/31/11	\$ 325,833
Lumbee Holdings (Ben Chavis, Owner)	Rent and Storage	7/1/09-Present	\$1,338,065
American Delivery Systems (Ben Chavis, Owner)	Rent and Storage	7/1/09-Present	\$1,109,495
SAIL	Summer Mathematics Program	7/1/09-12/31/11	\$ 458,000
OASES	ASES Grant Administration	7/1/10-12/31/11	\$ 105,000
Lumbee Holdings (Ben Chavis, Owner)	Unrecovered Escrow Deposit	1/1/09 – 9/30/09	\$ 30,000
Ben Chavis	Wages	7/1/09 – 12/31/11	\$ 130,265
Ben Chavis	Unsupported Credit Card Charges, including AZ charter formation	7/1/09 – 12/31/11	\$ 25,748
Marsha Amador	Financial Services	7/1/09 – 12/31/11	\$ 30,000
TOTAL			\$ 3,939,336

3. AIMS violated provisions of law, including but not limited to the prohibition against tuition set forth in Education Code § 47605(d)(1) by assessing a financial penalty on students for absences from the SAIL program.
4. AIMS committed fiscal mismanagement and violated Generally Accepted Accounting Principles (GAAP), including failing to implement policies to prevent credit card misuse; losing a \$30,000 escrow deposit in a failed real estate transaction with Lumbee Holdings, the founder's company; and failing to prevent an employee's forgery of a teacher's attendance report.
5. AIMS did not unconditionally acknowledge that its founder committed conflict of interest violations, nor did AIMS take steps to address those violations.
6. AIMS failed to institute acceptable institutional reforms to safeguard against future conflict of interest violations.
7. AIMS failed to institute acceptable changes in its financial and operational

procedures to ensure that future fiscal mismanagement does not occur.

8. AIMS failed to engage sufficient institutional expertise, such as a charter management organization, to implement the necessary institutional and organizational overhaul of its operations.
9. AIMS failed to address in an acceptable manner any means of or process for defining the role of the founder or achieving the necessary separation of him from the organization.
10. AIMS failed to initiate lawsuits or take other appropriate action against the founder and/or his spouse or to disgorge any of the funds arising from the interested party contracts and leases.

BE IT FURTHER RESOLVED AND ORDERED by the Governing Board of the Oakland Unified School District that, having considered AIMS' November Response and February Supplemental Response, and the representations made by AIMS at the February 27, 2013 public hearing, as well as the September 23, 2012 and January 23, 2013 OUSD Board meetings, the following additional findings are supported by substantial evidence:

1. AIMS failed to institute acceptable institutional reforms to safeguard against future conflict of interest violations.
 - a. AIMS has not unconditionally acknowledged the conflict of interest violations. AIMS new conflict of interest policy does not sufficiently safeguard against future conflict of interest violations. The revised policy contains only a recitation of the barebones requirements of the Political Reform Act. The policy also fails to address compliance with Government Code Section 1090.
 - b. AIMS has not instituted an adequate system of checks and balances to prevent future conflicts. AIMS has not implemented any permanent or ongoing training regarding conflicts, nor has it implemented a sufficient procedure for clearing conflicts in advance of transactions. AIMS Fiscal Administrator Diane Hatcher stated at the January 23, 2013 OUSD Board meeting that she conducts a review of all contracts for conflict of interest violations. AIMS submitted no documentation, however, describing the procedures or criteria for this review, and did not identify any additional training or support provided to ensure that the review incorporated all applicable conflict of interest laws.
2. AIMS failed to engage sufficient institutional expertise, such as a charter management organization.
 - a. In the February Supplemental Response, AIMS stated it requested and received a contract with the Charter School Management Corporation (CSMC) for "comprehensive back-office services and charter vision access." This statement is misleading. According to CSMC, AIMS has

never entered into a contract with CSMC. Indeed, according to CSMC staff, CSMC would not have entered into an agreement with AIMS unless AIMS had made significant governance changes.

- b. In contrast, in its November Response, AIMS denied the need for a Charter Management Organization, citing the cost. (Binder 3.) Therefore, not only was AIMS February Supplemental Response misleading, it contradicted the statement in the November Response that AIMS declined to retain a CMO for financial reasons.
3. AIMS failed to institute acceptable changes in its financial and operational procedures to ensure that future fiscal mismanagement does not occur.
 - a. In its February Supplemental Response, AIMS stated that it has a contract with Mr. Martin to “ensure productive fiscal management of AIM Schools.” AIMS’ contract with Mr. Martin does not constitute a sufficient remedy for addressing its history of financial mismanagement. AIMS provided no details about what services Mr. Martin will provide to AIMS or whether he will have any authority to implement necessary changes. Moreover, the representation by AIMS that Mr. Martin has “over 10 years of experience in financial procedures with charter schools” is exaggerated. Mr. Martin’s résumé demonstrates that he has little more than two years of experience in charter school finance. In short, Mr. Martin does not have the experience necessary to implement an overhaul of financial practices at AIMS.
 - b. Other steps taken by AIMS to institute changes to its financial and operational procedures are also insufficient. AIMS has retained new personnel in the area of fiscal operations but the new staff members have little experience in the public sector. AIMS has retained a new auditor, Vavrinek, Trine & Day LLP, but the auditor is responsible for annual financial audits, not everyday financial operations.
 4. AIMS failed to institute structural or permanent changes to the governing board.
 - a. None of the measures identified by AIMS constitutes the significant institutional reform required to remedy the violations leading to revocation. The AIMS Board has undergone significant turnover and Board members who shared dissenting views have been removed.³ The AIMS Board was unable to sustain a relationship with any of the attorneys⁴ and consultants that it retained.

³ At July 17, 2012 meeting, the AIMS board voted to remove members Michael Stember and Chris Rodriguez, who had advocated for a third-party investigation into the findings in the FCMAT Report. (Exhibit 6 and 7 to the Resolution.)

⁴ Jennifer McQuarrie was retained by the AIMS Board on June 19, 2012. Ms. McQuarrie subsequently advised the District Charter Office that she voluntarily terminated the day after AIMS Board Directors Rodriguez and Stember were removed from the Board. Paul Minney was retained by AIMS from September 7, 2012 to October 8, 2012. The records provided to the District indicate that Mr. Minney conducted a governance

- b. Moreover, as is set forth below, AIMS submitted misleading information to the District during these revocation proceedings under the current Board leadership.
5. AIMS failed to adequately ensure a proper separation between the founder and the organization.
 - a. The AIMS Board has not indicated any intent to file lawsuits against the founder and/or his spouse or to take any other steps to disgorge any of the funds arising from the interested contracts, as was urged in the District's January 24, 2013 Notice of Intent to Revoke. (Exhibit 1 to the Resolution, p. 26.)
 - b. AIMS claims that it sent a letter dated June 23, 2012 to the founder addressing the issue of separation. As is noted immediately below, this letter is contradicted by information in AIMS Board meeting minutes, which casts doubts on its authenticity.
6. AIMS submitted potentially misleading documentation in response to the Notice of Violation.
 - a. AIMS submitted a letter dated June 23, 2012 from the "AIMS School Board President" that purported to notify the founder and his spouse that they must cease interacting with the AIMS community. (See **Exhibit 4**) The District cannot verify the authenticity of this letter, and the documentation in the record suggests that the letter is not authentic:
 - i. Minutes from the June 24, 2012 Board meeting—which took place one day after the letter was purportedly sent—show that no letter had yet been sent regarding the separation of the founder. The minutes state: "[r]eview and approve notices to Dr. Ben Chavis and Mrs. Marsha Amador, school staff, parents and students regarding Dr. Ben Chavis['] continued relationship with AIMS schools: No action was taken. Mr. Chris Rodriguez says the committee consisting of the President, Ms. Jackson and Mr. Rodriguez was unable to reach a consensus." (See **Exhibit 5**) District staff attending the meeting reported that AIMS Board member Chris Rodriguez explicitly stated that he and Ms. Jackson-Martinez had decided *not* to send any letters at that time.⁵

workshop for the AIMS Board at its 8/31/12 meeting and that the contract to retain him was approved at the September 7, 2012 AIMS Board meeting. Mr. Minney also attended a meeting on September 20, 2012 with the District's Charter Office and legal counsel for the District, John Yeh, to discuss the NOV. On October 8, 2012, in response to an e-mail inquiry from legal counsel for the District, Mr. Minney advised the District that he no longer represented AIMS.

⁵ At its July 17, 2012 meeting, the AIMS board, without explanation, voted to remove members Michael Stember and Chris Rodriguez (Resolution, Exhibit 6), who had advocated for third-party investigation into the findings of the FCMAT report. (See Exhibit 7.)

- ii. The letter's authenticity is further undermined by the fact that AIMS did not submit the letter in its November 26, 2012 response to the Notice of Violation, even though the Notice of Violation explicitly asked AIMS to address the issue of the organization's relationship with the founder, and the date of the letter preceded the November Response by five months.
 - b. AIMS submitted a written statement signed by three former AIMS board members claiming that the AIMS Board approved the contracts with the founder's company (ADS) with full knowledge of his financial interest. This claim is not supported by AIMS' own board agendas and minutes, which show that the contracts were not even considered during those meetings. Moreover, not all of the individuals signing the statement were in attendance at those meetings.⁶ (See Exhibit Rev-B to Notice of Intent to Revoke (attached as Exhibit 2 thereto).)
 - c. AIMS submitted a memorandum dated July 15, 2011 that purported to reprimand former AIMS director Sophath Mey for being out of contact with the school during an out-of-state trip, and to reassign her to the position of Site Administrator. AIMS submitted the letter to demonstrate that it had remedied the misuse of the school's credit card. In fact, Mr. Mey never received the July 15, 2011 memorandum. (**Exhibit 8.**)
 - d. AIMS claimed that the founder sent a November 18, 2010 memorandum to Mey stating that OASES would not charge AIMS the 15 percent administrative fee for administration of the ASES grant. AIMS had submitted this documentation in support of its claim that it did not exceed the threshold for administrative services in spending the ASES grant funds.⁷ Mey stated that she never received this memorandum. (**Exhibit 8.**)
7. The District has considered "increases in pupil academic achievement for all groups of pupils served by the charter school" under Education Code Section 47607(c)(2). Although the performance of AIMS students is an important factor in its decision, the Staff believes that AIMS failure to remedy the conflict of interest violations, its failure to institute sufficient changes to the management of the AIMS organization, its failure to institute structural or permanent changes to the governing board, its failure to take action to recover the public funds intended for AIMS students paid to Dr. Chavis, and its lack of complete candor in response to the District's revocation proceedings, outweigh all other factors in considering whether to revoke the AIMS charters, including the schools'

⁶ Amy Cai is listed as serving from 2004-2006, and appears in minutes from 2005-2006, though not for the 1/20/06 meeting. She is listed as a "guest" in attendance at the 3/15/07 meeting, indicating that she was no longer on the Board at that time.

Atiba/Sylvia Thomas appears in minutes more sporadically from 2005-2007. She was not in attendance on 1/20/06, but was on 3/15/07.

⁷ OASES, a company in which Dr. Chavis has an ownership interest, provides oversight to charter schools. It was paid \$105,000 by AIMS to administer the ASES grant from July 2010 to December 2011.

academic performance.

BE IT FURTHER RESOLVED AND ORDERED by the Governing Board of the Oakland Unified School District that the charters granted for the establishment of the AIMS Charter School (California Department of Education Charter Nos. 01-61259-0111856, 01-61259-6113807 and 01-61259-0114363) are hereby revoked effective June 30, 2013, and that the Superintendent or his designee is authorized to take such as actions as are appropriate and/or required by law to implement this resolution.

PASSED AND ADOPTED on March 20, 2013, by the Governing Board of the Oakland Unified School District by the following vote:

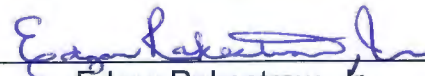
AYES: Jody London, Gary Yee, James Harris,
President David Kakishiba

NOES: Christopher Dobbins, Roseann Torres,
Vice President Jumoke Hinton Hodge

ABSTENTIONS: None

ABSENCES: None

I declare under penalty of perjury that the foregoing resolution was duly passed and adopted on the date and by the vote stated.



Edgar Rakestraw, Jr.
Secretary of the Governing Board
OAKLAND UNIFIED SCHOOL DISTRICT

File ID Number: 12-2557
Introduction Date: 9/27/12
Enactment Number: 13 0474
Enactment Date: 3/20/13
By: ew

EXHIBIT 1

Board Office Use: Legislative File Info.	
File ID Number	12-2557
Introduction Date	9/27/12
Enactment Number	12-2447
Enactment Date	9-27-12 <i>ef</i>



OAKLAND UNIFIED
SCHOOL DISTRICT

Community Schools, Thriving Students

Memo

To Board of Education

From Jacqueline Minor, General Counsel

Board Meeting Date September 27, 2012

Subject **Issuance of Notice of Violation to American Indian Public Charter School, American Indian Public Charter School II, American Indian Public High School**

Action Requested

Approval by Board of Education of Notice of Violation to American Indian Public Charter School, American Indian Public Charter School II, American Indian Public High School of Notice of Violation under Education Code section 47607(d), commencing a 60-day period in which the charter schools will have an opportunity to remedy the stated violations and provide a written response.

Background

A one paragraph explanation of why the consultant's services are needed.

FCMAT has issued a report finding significant violations of various laws and regulations by the charter schools. Charter law provides for the following immediate next steps by the chartering authority (i.e., Oakland Unified School District):

- Board's consideration of possible Notice of Violation (Requires 72 Hours Notice and provision of relevant documents to Charter School)
- Board determines whether to issue Notice of Violation to charter school with identified "remedy period"
- Remedy Period as determined by the Board
- Evaluate Charter School's proposed Remedy at end of Remedy Period

Discussion

One paragraph summary of the scope of work.

The Board is being asked to issue a Notice of Violation with an opportunity to cure or remedy the violations to the charter schools for the reasons outlined in the Notice of Violations.

Recommendation

Issue Notice of Violation to American Indian Public Charter School, American Indian Public Charter School II, American Indian Public High School



Fiscal Impact

N/A

Attachments

- Notice of Violation to American Indian Public Charter School, American Indian Public Charter School II, American Indian Public High School - Notice of Violation
- Exhibits in Support of Notice of Violation



VIA PERSONAL DELIVERY

September 20, 2012

To the Governing Board
American Indian Model Schools:

American Indian Public High School
3637 Magee Avenue
Oakland, CA 94619

American Indian Public Charter School II
171 12th Street
Oakland, CA 94607

American Indian Public Charter School
3637 Magee Avenue
Oakland, CA 94619

NOTICE OF VIOLATION TO AMERICAN INDIAN MODEL SCHOOLS

I. **INTRODUCTION**

This document constitutes a Proposed Notice of Violation (“NOV”) issued by the Oakland Unified School District (the “District” or “OUSD”) to American Indian Model Schools (collectively “AIMS”) under Education Code §47607(d). The NOV is directed towards American Indian Public High School, American Indian Public Charter School and American Indian Public Charter School II.¹

¹ This document shall be considered a Proposed NOV until approved by the OUSD Board at its September 27, 2012 open session meeting. If approved, this document shall be deemed to be the NOV served on AIMS, effective September 28, 2012. (Cal. Admin. Code tit. 5, §11968.5.2(a))

II. **BACKGROUND OF AMERICAN INDIAN MODEL SCHOOLS**

AIMS currently holds three charters granted by OUSD:

- **AIPHS (American Indian Public High School) :**
 - Renewal Term July 1, 2011 – July 1, 2016
 - Location: 3637 Magee Avenue, Oakland, CA
 - Approved satellite location: 171 12th Street, Oakland, CA

- **AIPCS, Grades 5-8:**
 - Renewal Term July 1, 2011 – July 1, 2016
 - Location: 3637 Magee Avenue, Oakland, CA

- **AIPCS II (Grades K-8):**
 - Renewal Term July 1, 2012 – June 30, 2017
 - Location: 171 12th Street, Oakland, CA

III. **LEGAL BASIS FOR ACTION**

A. **Purpose of Notice of Violation**

As noted in more detail below, the purpose of the NOV is to commence a process under which the District sets forth the findings in support of the NOV, and sets forth a Remedy Period. At the end of the Remedy Period, AIMS shall respond in writing to the findings in the NOV and identify any measures to remedy the violations set forth in the NOV. At that time, the District will assess AIMS' response and

proposed remedy and will determine whether to pursue revocation of the AIMS charters through issuance of a Notice of Intent to Revoke.

B. Education Code Provisions

The revocation of a charter is governed by Education Code §47607. Education Code §47607(c) sets forth the grounds for revocation:

A charter may be revoked by the authority that granted the charter under this chapter if the authority finds, through a showing of substantial evidence, that the charter school did any of the following:

- (1) Committed a material violation of any of the conditions, standards, or procedures set forth in the charter;
- (2) Failed to meet or pursue any of the pupil outcomes identified in the charter;
- (3) Failed to meet generally-accepted accounting principles, or engaged in fiscal mismanagement; or
- (4) Violated any provision of law.

The charter-authorizing agency precedes revocation with a Notice of Violation and a reasonable opportunity to remedy the violation under Education Code §47607(d):

Prior to revocation, the authority that granted the charter shall notify the charter public school of any violation of this section and give the school a reasonable opportunity to remedy the violation, unless the authority determines, in writing, that the violation

constitutes a severe and imminent threat to the health or safety of the pupils.

Prior to revocation, the charter-authorizing agency provides the charter school with a Notice of Intent to Revoke, and conducts a public hearing on the potential revocation (Education Code §47607(e)):

Prior to revoking a charter for failure to remedy a violation pursuant to subdivision (d), and after expiration of the school's reasonable opportunity to remedy, without successfully remedying the violation, the chartering authority shall provide a written notice of intent to revoke and notice of facts in support of revocation to the charter school. No later than 30 days after providing the notice of intent to revoke a charter, the chartering authority shall hold a public hearing, in the normal course of business, on the issue of whether evidence exists to revoke the charter. No later than 30 days after the public hearing, the chartering authority shall issue a final decision to revoke or decline to revoke the charter, unless the chartering authority and the charter school agree to extend the issuance of the decision by an additional 30 days. The chartering authority shall not revoke a charter, unless it makes written factual findings supported by substantial evidence, specific to the charter school, that support its findings.

The charter school may appeal the revocation to the County Board. (Education Code §47607(f)(1))

C. California Code of Regulations

Cal. Admin. Code tit. 5, §11968.5.2, sets forth additional procedures for a school district's revocation of a charter. Subsection (a) of the regulation provides the charter school 72 hours' notice before the board considers issuing a Notice of Violation:

At least 72 hours prior to any board meeting in which a chartering authority will consider issuing a Notice of Violation, the chartering authority shall provide the charter school with notice and all relevant documents related to the proposed action.

Subsection (c) describes the charter school's obligations once a Notice of Violation is served:

Upon receipt of a Notice of Violation, the charter school's governing body as described in the school's charter, if it chooses to respond, shall take the following actions:

- (1) Submit to the chartering authority a detailed, written response addressing each identified violation which shall include the refutation, remedial action taken, or proposed remedial action by the charter school specific to each alleged violation. The written response shall be due by the end of the Remedy Period identified in the Notice of Violation.
- (2) Attach to its written response supporting evidence of the refutation, remedial action, or proposed remedial action, if any, including written reports, statements, and other appropriate documentation.

Once the charter school responds to the Notice of Violation, the District will determine whether to proceed with the revocation process. As set forth in sections

(d) and (e):

(d) After conclusion of the reasonable opportunity to remedy, the chartering authority shall evaluate the response of the charter school's governing body as described in the school's charter response to the Notice of Violation and any supporting evidence, if submitted, and shall take one of the following actions:

- (1) If the chartering authority has substantial evidence that the charter school has failed to refute to the chartering authority's satisfaction, or remedy a violation identified in the Notice of Violation, the district shall continue revocation of the school's charter by issuing a Notice of Intent to Revoke to the charter school's governing body as described in the school's charter; or
- (2) Discontinue revocation of the school's charter and provide timely written notice of such action to the charter school's governing body as described in the school's charter.

(e) If the chartering authority does not act, as specified in subdivision (d), within 60 calendar days of the conclusion of the Remedy Period specified in the Notice of Violation, the revocation process is terminated and the Notice of Violation is void.

If the District proceeds to issue a Notice of Intent to Revoke, the Board will hold a public hearing, and issue a Final Decision no later than 30 days thereafter:

On the date and time specified in the Notice of Intent to Revoke, the chartering authority shall hold a public hearing concerning revocation. No more than 30 calendar days after the public hearing (or 60 calendar days by written mutual agreement with the charter school), the chartering authority shall issue a Final Decision.

The charter school must file any appeal to the County Board within 30 days of Board action. (Cal. Admin. Code tit. 5, §11968.5.4(a))

IV. **VIOLATIONS OF LAW AND CHARTER**

A. **AIMS Governing Board's Failure to Exercise Fiscal and Institutional Control**

1. **Interested Party Transactions**

As will be set forth in detail below, the AIMS governing board failed to maintain institutional or fiscal control over the operations of the three AIMS charters. This failure led to the founder, Ben Chavis, and his spouse, Marsha Amador, realizing approximately \$3.9 million in financial benefit through contracts and other financial arrangements between the AIMS board and organizations in which one or both had a financial interest. (See, Attachment 1 to NOV) There was no indication that the AIMS Board took any steps to account for the founder's financial interests in the agreements it approved, or was even aware that such agreements were illegal. The AIMS Board also failed to maintain fiscal control over the AIMS charter schools, or to

demonstrate capacity to grasp even the fundamentals of governance. Contributing to this was the near-complete turnover of the AIMS board membership in 2012.

2. AIMS Charter Provisions

The AIMS charters set forth the following description of the responsibilities of its governing board:

Board of Directors

The [Charter School] is governed by a Board of Directors (the "Board"). The Board shall be ultimately responsible for the operation and activities of [the school]. The Board shall be governed in its operations and its actions by the corporate by-laws of the organization that shall be consistent with the charter, the Charter Schools Act and all other applicable laws. The primary methods for executing their responsibilities are to create, adopt and monitor a long-term strategic plan and associated budget, and to employ and evaluate the Site Administrator of [the charter school]. The day-to-day management of [the school] shall be by the [Director/Site Administrator], who is overseen by the Board. The school government is reflected by way of its governing structure, the curriculum, student guidance and school code of conduct. The [AIMS] Governance Board will be comprised of at least five and no more than fifteen diverse community members. The AIPCS II site

Administrator will report directly to the Governance Board
[citation omitted].

Under Section IV of the AIMS charters, the AIMS Governing Board has the following obligations:

- *The Board shall be ultimately responsible for the operation and activities of the AIPCS schools.*
- *The primary methods for executing their responsibilities are to create, adopt and monitor a long-term strategic plan and associated budget, and to employ and evaluate the [Director/Site Administrator] of [the school.] The day-to-day management of [the school] shall be by the [Director/Site Administrator], who is overseen by the Board. (AIPCS Charter, Governance (Section IV), pp. 32-33 (Emphasis Added); AIPCS II Charter, Governance (Section IV), pp. 31-32 (Emphasis Added); AIPHS Charter, Governance (Section IV), pp. 30-31 (Emphasis Added))*

The AIPCS charters also state the following with respect to the AIPCS Board's responsibilities:

The responsibilities of the Board include, but are not limited to:

1. Upholding the mission of the School;
2. Overseeing the implementation of the charter;
3. Approving and monitoring the school budget, fiscal reports, and the School's fiscal practices;

4. Approving all contracts and expenses;
5. Receiving and reviewing the yearly independent financial audit;
6. Approving and monitoring the school's facility arrangement and plans;
7. Overseeing and evaluating the Site Administrator ...
8. ... Monitoring the Site Administrator's implementation of the school's personnel policy ... (AIPCS Charter, Governance (Section IV), pp. 32-33 (Emphasis Added); AIPCS II Charter, Governance (Section IV), pp. 31-32 (Emphasis Added); AIPHS Charter, Governance (Section IV), pp. 30-31 (Emphasis Added)) (0001-0157)².

As will be set forth below in more detail, the AIMS Board failed to meet even the minimal standards of competent governance standards. It repeatedly failed to perform even the basic responsibilities of its charter set forth above.

B. Interested Party Transactions

The Political Reform Act, specifically Government Code §87100, provides that:

No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to

² All citations refer to the Exhibits that are attached to the NOV.

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influence a governmental decision in which he knows or has reason to know he has a financial interest.

The regulations implementing the Political Reform Act include in their scope officers and employees of the governmental agency.

Government Code §87103 defines “financial interest” to include “a material financial effect” on the public official, or a member of his or her immediate family, or any of the following, in pertinent part:

- “Any business entity in which the public official has a direct or indirect investment worth \$2,000 or more” (Gov. Code §87103(a)); or
- Any source of income, except gifts or commercial loans, of \$500 or more, received within 12 months prior to the decision in question (Gov. Code §87103(c)); or
- “Any business entity in which the public official is a director, officer, partner, trustee, employee, or holds any position of management.” (Gov. Code §87103(d).)

Government Code §1090 also prohibits public officials – including officers and employees -- from entering into any contract in which they hold a financial interest. The only contracts that are exempt are those in which the public official has a remote interest (Gov. Code §1091) or an interest defined as specifically exempt. (Gov. Code §1091(e).)

It is no defense to the conflict of interest laws that the individual in question did not have actual participation in the decision leading to the transaction giving rise to the conflict. As the court stated in *People v. Sobel* (1974) 40 Cal.App.3d 1046, 1052:

Actual execution of a contract is not the only criteria for application of the statute. 'The instant statutes [section 1090 included] are concerned with any interest ... which would prevent the officials involved from exercising absolute loyalty and undivided allegiance to the best interests of the [public entity] ...' [T]he object ... is to remove or limit the possibility of any personal influence, either directly or indirectly which might bear on an official's decision, as well as to void contracts which are actually obtained through fraud or dishonest conduct ..." (Id. at p. 1052.)

The mere exertion of influence is sufficient to trigger applicability of the conflict of interest laws. (*People v. Vallerga* (1977) 67 Cal.App.3d 847, 868 (n. 5) ["The purpose of the prohibition is to prevent a situation where a public official would stand to gain or lose something with respect to the making of a contract over which in his official capacity he could exercise some influence"].) The law applies "no matter whether [the public official] actually participated personally in the execution of the questioned contract." (*Sobel, supra*, at p. 1052.)

The AIMS conflict of interest policy, which applies to the AIMS Board for all three charter schools, expressly incorporates the terms of the Political Reform Act (Gov. Code §81000, et seq.) The policy states that all AIMS "elected officials, designated employees of state appointees, make decisions for the benefit of the community, not for their own enrichment." The policy requires that elected officials and designated employees determine whether a conflict of interest exists, disclose such a conflict, and recuse themselves from deliberation and voting over a matter in which the conflict exists.

The policy also contains the following provision:

If the AIM-Schools Governance Board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Governance Board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action. (AIMS Conflict of Interest Policy, p. 2) (0158-0161).

AIMS board members also completed Form 700 disclosures of economic interests, as required under the Political Reform Act, but only after being instructed to do so by the District (see below).

1. Leases
 - a. AIPCS Grades 6-8

The AIPCS II program, grades 6-8, is located at 3637 Magee Ave., Oakland, CA. The "Lease Agreement" for that site, which runs from July 1, 2008 through June 30, 2013, is between AIPCS American Delivery Systems ("ADS"), in which Chavis had an

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ownership interest.³ The monthly rent paid by AIPCS under the lease is \$20,684.32. The first paragraph of the "Lease Agreement" states that "[a]ll correspondence and business activities shall take place with Lessor and Dr. Ben Chavis exclusively." (AIPCS II Lease; March 19, 2012 Letter from ADS (signed by Ben Chavis) to FCMAT) (0173-0190)

b. AIPHS Grades 9-12

AIMS' high school program (AIPHS) is located at 3626-28 35th Avenue, Oakland, CA (with a satellite campus co-located within AIPCS II). The "Lease Agreement" for that site, which runs from July 1, 2008 through June 30, 2013, is between ADS and American Indian Public High School. The monthly rent paid by AIPCS under the lease is \$20,280.00. (AIPHS Lease) (0168-0172).

c. AIPCS II Grades K-8

AIPCS II's K-8 program is located at 171 12th Street, Oakland, CA (along with the satellite campus of AIPHS). The "Lease Agreement" for that site, which runs from April 1, 2007 through March 31, 2012, is between AIPCS II Lumbee Holdings, in which Chavis held an ownership interest. The monthly rent paid by AIPCS under the lease is \$21,600.00. A "Storage Agreement" between AIPCS II, AIPHS, and Lumbee Holdings was executed on July 1, 2007, calling for the provision of storage space at the location to AIPCS II and AIPHS in exchange for a payment of \$1,900 a month. The "Storage Agreement" is signed by Chavis on behalf of Lumbee Holdings. (AIPCS

³ The ADS address listed on the lease is the home address of former AIMS Board member Amy Cai.

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Lease; Lumbee Properties Limited Liability Company Articles of Organization) (0162-0167) (0203-0208).

There is no indication from the AIPCS board minutes whether the AIMS Board was even aware of Chavis' financial interests in the lease agreements, or that those interests were ever disclosed to the Board.

The lease for the 12th Street campus with Lumbee Holdings was renewed at the July 17, 2012 meeting of the AIMS Board. Minutes of that meeting do not include any mention of the ownership of Lumbee Holdings, nor of the economic interests of Chavis or his spouse. Terms of the renewed lease are not referenced in the minutes.

2. Construction and Other Contracts

a. June 22, 2006 Modernization Project

On June 22, 2006, two AIPCS Board members signed a modernization proposal with Chavis signing on behalf of ADS. There is no evidence that this proposal was ever brought before, or approved, by the AIPCS Board. Chavis signed three warrants totaling \$104,000 from the AIPCS checking account made payable to Lumbee Properties/ADS. There is no evidence that the AIPCS Board was ever aware of Chavis' financial interest in the transaction, or that such interest was ever disclosed to the Board. (June 22, 2006 Proposal between American Delivery Systems and AIPCS, signed by Ben Chavis on behalf of ADS; Lumbee Properties Limited Liability Company Articles of Organization; Limited Liability Company Certificate of Cancellation Filed 7/30/07) (0199-0202) (0203-0208) (0207).

b. April 22, 2007 Modernization Project

On April 22, 2007, two AIPCS Board members signed a modernization proposal with Lumbee Holdings to upgrade restroom facilities at 171 12th Street, Oakland, CA for payment of \$195,500. There is no evidence that this proposal was ever brought before, or approved, by the AIMS Board. Chavis was director of AIMS schools at the time. There is no evidence that the AIMS Board was ever aware of Chavis' financial interest in the transaction, or that was ever disclosed to the Board. (April 2007 Proposal between Lumbee Properties, LLC and AIPCS. (0209-0213)

Records show that between August 2007 and March 2008, AIMS paid a total of \$348,500 to ADS and Lumbee Holdings, to the direct financial benefit of the founder, who had an ownership interest in both companies (AIPCS warrants payable to ADS or Lumbee Holdings) (0214-0226).

c. After School Education and Safety Program (ASES) Grant

Chavis had an ownership interest in a private company, OASES, that provided oversight for charter schools, including the AIMS charter middle schools, for a 15% oversight fee. AIPCS II had received a \$150,000 After School Education and Safety Program (ASES) Grant. OASES administered the after-school program funded by the ASES grant on behalf of AIPCS, along with two other non-AIMS charter schools authorized by the District. There is no evidence that the AIPCS Board ever approved the contract(s) between AIPCS II and OASES, or was aware of Chavis' financial interest in them. (2010-2011 Memorandum of Understanding between AIPCS II and East Oakland Leadership Academy, 2010-2011 Memorandum of Understanding

between AIPCS II and Conservatory of Vocal/Instrumental Arts) (0251-0254) (0255-0258).

d. Stanford Academic Institute of Learning Summer Mathematics Institute (SAIL)

Chavis owned a privately-operated program named the "Stanford Academic Institute of Learning Summer Mathematics Institute" (SAIL). SAIL charged the AIMS charter schools \$500 per student for enrollment in the program. Between June 2009 through December 2011, AIMS paid to OASES approximately \$355,000 to provide services to AIPCS students. Although the AIMS Board appears to have approved the \$500 per-student expenditure to send students to the SAIL program, there is no indication that the Board was ever aware of Chavis' financial interest in the program, or that such interest was ever disclosed to the Board. Moreover, a May 23, 2011 memorandum from SAIL identifies Larry Martinez, who was identified as one of the founders of AIMS and served on its governing board, as the Executive Director of SAIL. (May 23, 2011 Memorandum from SAIL to parents) (0259-0261) The telephone number appearing on this memorandum is registered to the founder, Ben Chavis. (Telephone List, Red Angus Association of the Carolinas) (0262-0264)

e. Financial Services Contracts (A & A Business Solutions, LLC, AAFS)

Chavis' spouse provided financial administrative services to the AIMS schools under the companies A & A Business Solutions LLC and AAFS. Between July 2009 and December 2011, the AIPCS schools paid approximately \$103,181.73 to either

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AAFS, Chavis or his spouse. Chavis would have a community property interest in any earnings received by his spouse. (Similarly, Amador, an employee and contractor to AIMS as chief financial officer, had a community property interest in the business dealings of Chavis, described above.) There is no evidence that the AIMS Board was ever aware of Chavis' or his spouse's financial interest in the transaction, or that was ever disclosed to the Board. (A & A Business Solutions Fictitious Business Name Statement, 1/10/11, signed by Marsha Amador) (0265-0268).

In sum, from 2007 through 2011, Chavis and/or his spouse received no less than \$3,778,158 in payments from AIMS through interested contracts that, in all but one instance, were not approved by the AIMS Board. (See, Attachment 1 to NOV) There is no evidence that Chavis' interest in these contracts was ever disclosed to the AIMS Board.

The AIMS Board failed to uphold its fiscal obligations under the charter, which include "[a]pproving and monitoring the school budget, fiscal reports, and the School's fiscal practices" and "[a]pproving all contracts and expenses." (AIPCS Charter, Governance (Section IV), pp. 32-33 (Emphasis Added) (0053-0104); AIPCS II Charter, Governance (Section IV), pp. 31-32 (Emphasis Added) (0105-0157); AIPHS Charter, Governance (Section IV), pp. 30-31 (Emphasis Added)) (0001-0052)

C. Absence of Financial and Operational Controls

The AIMS Board failed to provide even the most basic levels of access and transparency in its selection of board members, provision of parental involvement, and compliance with Brown Act requirements in agendaing and conducting its meetings. It also failed to monitor the school's fiscal practices or approve the

school's contracts or expenses, resulting in a significant number of contracts that violated conflict of interest provisions, as well as inappropriate and poorly documented expenditures. The board also failed to maintain even the most minimal documentation of its transactions, regularly failing to maintain adequate minutes and to enter into written contracts for real estate and other agreements.

AIMS' fiscal policy is titled "AIMS Schools Financial Procedures and Policies." That policy contains the following provisions:

FINANCIAL REPORTING

Policy: Financial Administrator shall prepare monthly financial reports for the AIM Schools Board and submit to the Oakland Unified School District any and all required fiscal reports as may be required by state or federal law. Monthly statistical attendance reports submitted to Oakland Unified School District are completed by the Site Administrator.

Procedure: The Financial Administrator shall prepare for the AIM Schools Board periodic Statements of Financial Position and Statements of Activities. These statements shall include a profit and loss, balance sheet, cash flow statement, bank statements and shall be reviewed by the AIM Schools Board on a regular basis.

Quarterly interim reports, annual reports and any other financial reporting required by state or federal law is prepared by the Financial Administrator, reviewed by the Site Administrator and submitted to [the] Oakland Unified School District . The statistical attendance report is prepared by the Site Administrator and a copy sent to Oakland Unified School District on a monthly basis.

BUDGETING OF FUNDS

Policy: AIM Schools shall prepare and monitor its budget. The AIM Schools Board shall approve the budget.

Procedures: The Site Administrator and Financial Administrator shall develop an annual budget in conjunction with the short-and long-term plans of the School. The budget shall be reviewed periodically and updated with current information. After the budget is developed, it shall be presented to the AIM Schools Board for review and vote. Upon acceptance of the budget, it shall be submitted to the Oakland Unified School District by the annual deadline.

PURCHASING

Policy: All purchases over \$10,000 must include documentation of 'good faith' effort to secure lowest possible cost for comparable goods or services.

Procedure: Documentation shall be attached to all checks and purchase order requests showing at least three vendors were contacted and such documentation shall be maintained for three years. All purchases in excess of \$20,000 must be bid by a board approval process.

CREDIT CARDS

Policy: Credit card is issued to school for school related expenses.

Procedure: Administrative assistant will use credit card for school related expenses. All charges must be supported by invoices and monthly log sheets detailing charge. Monthly credit card statements are reconciled to invoices and log sheets and are approved by the Site Administrator. (AIM Schools Financial Procedures and Policies) (0269-0278).

1. Inappropriate Credit Card Expenditures

Significant purchases were charged to credit cards that bore Chavis' name, but that were paid for out of AIMS funds. Many of these purchases bore questionable relationship to school business, such as airfare and car rental fees, hotels, meals, general merchandise, baseball tickets and cable television service. Many of the purchases were made at the time that Chavis was not serving AIMS in any official

capacity. Approximately 35% of the purchases lacked supporting documentation or other proof that they were appropriately incurred for school business. (0975-0976)

2. Real Estate Escrow Account

AIMS financial records also show a \$160,000 expense related to a real estate transaction between Lumbee Holdings and AIMS involving the property at 3050 International Boulevard, Oakland, CA. The expense was related to a \$190,000 payment that was made into an escrow account as a "security deposit." Only \$160,000 was refunded to AIMS, with the check listing Lumbee Holdings as the "buyer" in the transaction. This transaction caused AIMS to incur a \$30,000 expense as part of the unrecovered security deposit. There is no evidence that the AIMS Board approved incurring this expense as part of a security deposit for a real estate purchase made by Lumbee Holdings. (0976-0977)

The AIMS Board failed to uphold its fiscal obligations under the charter, which include "[a]pproving and monitoring the school budget, fiscal reports, and the School's fiscal practices" and "[a]pproving all contracts and expenses" (AIPCS II Charter, Governance (Section IV), pp. 30-31 (Emphasis Added))

3. Checking Accounts

Likewise, there is no evidence in the Board minutes that the AIMS Board had sufficient fiscal control to monitor expenses incurred through use of AIMS' checking accounts. The large number of expenses paid directly to the founder and his spouse (by checks often signed by one of them) demonstrate the lack of fiscal oversight. (AIPCS General Ledger for 2009-2010, 2010-2011 and 2011-2012) (0280-0456)

4. Attendance Record Forgery

A former AIMS teacher reported that she discovered that her signature had been forged on a Teacher's Monthly Attendance Report. The teacher had been asked to sign the Monthly Attendance Report for a Sixth Grade class she longer taught after having been transferred to a Resource Teacher position, and refused since she no longer taught the Sixth Grade class. Subsequently, she reviewed the Attendance Binder in the school office and found a Monthly Attendance Report for the Sixth Grade class with her name printed on top, and her signature forged at the bottom. The teacher was told that the Monthly Attendance Report was not the copy that was submitted to the District, and she asked to see one. (OUSD does not collect Monthly Attendance Reports for individual charter schools.) She was later shown a document that she was told was faxed from the District, but that did not bear any fax transmission notes. The teacher immediately submitted her resignation in protest. (See, Notarized Statement Regarding Attendance Forgery) (0457-0463)

5. Credentialing/Staffing

The OUSD Office of Charter Schools requested that AIMS provide staffing spreadsheets for each of its schools as part of its compliance oversight activities in the Fall of 2011. Incidents of non-compliance with teacher credential requirements were noted in a November 22, 2011 Notice of Concern sent by OCS. In its January 31, 2012 "Notice of Concern Findings," OCS noted that AIMS had failed to provide information on teacher credentialing in response to the Notices of Concern. OCS sent follow-up Notices of Concern to all AIMS schools on February 28, 2012, a second

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Notice of Concern that five AIPCS II teachers, grades 5-8, did not possess a valid teaching credential and/or EL authorization. The Notice of Concern asked AIMS to verify in writing by March 9, 2012 that all teaching staff possessed the required California teaching credential. The District conducted an analysis of teacher credentials at all 3 AIMS schools in April 2012 and determined that there were credentialing issues for at least ten (10) teachers that AIMS had never resolved. (See, November 22, 2011 Notice of Concern (0464-0469); January 31, 2012 "Notice of Concern Findings" (0470-0476); February 28, 2012 Notices of Concern (0477-0481; 1002-1013); OCS Analysis of AIMS Staffing (0482-0495))

6. Violation of ASES Grant Terms

AIMS had received an After School Education and Safety Program (ASES) grant to operate after-school programs offering tutoring, homework assistance and educational enrichment for students in grades K-9. AIMS received two \$150,000 grants for each of its middle schools, totaling \$300,000. (For both AIMS schools, the grant was part of a package with other charters.) Under the terms of the grant, 85% of the grant funds must be used for direct services, and no more than 15% for administrative services. (California Department of Education, After School Education and Safety Program, p. 9) (0496-0518)

AIMS failed to meet the ASES grant terms in the following manner:

- Failed to maintain the after school program for 15 hours a week, and up to 6 p.m. every school day. AIMS ended the after school program at 4 p.m. on Fridays, and only offered it for 13 hours and 40 minutes a week. (0964-0968);

- Failed to provide a nutritious snack to students, as required by the grant terms. (0964-0968);
- Improperly charged to ASES funds for an after-school program, Tech Bridge, that pre-dated the terms of the ASES grant. (AIPCS/ASES Bank Statements (0525-0530); December 17, 2009 Board Minutes) (0531-0536); (0964-0968);.
- Exceeded the 15% threshold for administrative funds. (2010-2011 Memorandum of Agreement between AIPCS II and East Oakland Leadership Academy (showing payment of \$93,000 to AIPCS II (0537-0540); 2010-2011 Memorandum of Agreement between AIPCS II and Conservatory of Vocal/Instrumental Arts (showing payment of \$105,000 to AIPCS II) (0541-0544; 0964-0968);

AIMS' violation of the ASES grant terms further demonstrates lack of fiscal control by the AIMS Board. As a consequence of these violations, the California Department of Education terminated the ASES grants for AIPCS and AIPCS II effective July 1, 2012. (0587-0588)

7. Violation of Generally Accepted Accounting Principles (GAAP)

Charter law, specific language in the AIMS charters, and the conditions imposed on the renewal of the charter for AIPCS II all require that AIMS comply with Generally Accepted Accounting Principles. GAAP, as indicated by the name, is

founded on broad tenets of financial practices. Although these have developed over time into specific rules for recording individual transactions, the violations by AIMS are apparent at the highest level of GAAP.

AIMS failed to comply with the principle of full disclosure, which directs organizations to disclose information and events that are likely to have a material impact on the organization's financial position or results. Examples include disclosure of related party transactions, material losses and potential liabilities. AIMS violated the full disclosure principle in several ways, discussed above and in the FCMAT report:

- Failure to disclose conflicts of interest with respect to major transactions with Chavis, Amador, and others.
- Failure to disclose losses, such as the loss of deposit in the escrow account for an undisclosed real estate transaction.
- Failure to recognize potential liability, such as lost general purpose revenue from the late start of the 5th grade at AIPCS II and the consequent shortage of instructional minutes.
- Incomplete and erroneous IRS Form 990s.
- AIMS' financial practices also violated the principle of reliability by recording transactions for which there was insufficient objective evidence. Examples include:

- Absence of contract documentation and board approval on large payments for construction.
- Payments made for personal expenses on credit cards without evidence of approval or business purpose.
- Recognizing full revenue for AIPCS II despite non-compliance with conditions of apportionment.
- Commingling of government funds and donations in granting of scholarships.
- AIMS was unable to provide evidence of significant changes in its financial management practices to establish its compliance with GAAP when requested by OCS.

Under Education Code §47607(c)(3), a charter school's failure to meet generally accepted accounting principles constitutes a valid basis for revocation of the charter.

8. Certificate of Occupancy

The District has been seeking a Certificate of Occupancy from AIMS for the AIPCS II site at 171 12th Street since October of 2010. AIMS currently operates AIPCS II and

a satellite campus of AIPHS. From October 2011 through June 2012, it also shared the space with the "Little Hands" independent elementary school at that same site. Follow-up requests were made on November 22, 2011 and again throughout the charter renewal process. A memorandum dated December 9, 2011, provided by AIMS at the time of the District's charter renewal site inspection, stated: "The City of Oakland has completed inspection for everything but the 'final inspection' for 171 12th Street. An appointment for the final inspection has been requested. It should be completed within this month." (December 9, 2011 Memorandum to OCS from Ben Chavis) (0550-0551).

AIMS subsequently told the District that all inspections had been completed and that the occupancy permit was forthcoming. When no occupancy permit was forthcoming, the District made another request to site administrator Kaytena Beckford via email on May 30, 2012. The District followed up with yet another request in a June 26, 2012 letter to AIMS. (June 26, 2012 letter from OUSD to AIMS) (0545-0549). On July 14, 2012, AIMS Board President Jean Martinez sent a written response stating that "[a]s you can see the inspection process [is] in December 2012." (July 14, 2012 Memorandum from Jean Martinez to Gail Greely) (0552-0553).

As of this date, no certificate of occupancy (final or temporary) has been received, despite the District inquiries spanning over a two-year period.

9. Gift of Public Funds/Inappropriate Use of Public Funds
 - i. AZ Charter Startup

The AIMS Board provided "Consent to Action in Lieu of Organizational Meeting" to pursue submission of a charter to the Arizona State Board to open an

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American Indian Model charter middle school in Tucson, Arizona. AIMS submitted corporate documents to the Arizona Corporations Commission seeking authority to transact business in Arizona and filed an application for approval of a charter school before the Arizona Board for Charter Schools. The application was denied by the Arizona board in January 2012 because of misstatements in the application and concerns about governance. (Application for Authority to Conduct Affairs in Arizona, 6/23/11; Certificate of Disclosure 5/30/11; Certificate of Amendment of Articles of Incorporation, 1/11/11; AIPCS Articles of Incorporation, 5/10/96; Letter to Arizona Corporation Commission 12/20/11; New Charter Application – American Indian Model Schools) (0554-0578).

Pursuit of an out-of-state charter is not authorized in any of the AIMS charters, was not authorized by any legal action of the AIMS board (as noted above, it was approved once without a meeting, and a second time in January 2012 well after the application was submitted), and also constitutes an improper use of State funding intended to benefit the students attending AIMS schools in Oakland. (Pima County Assessor Records; Arizona Corporation Commission Records) (0589-0592).

ii. Student Scholarships and Admission Fees

Review of the general ledger also identified payments made to individual students and former students, apparently as scholarships. Scholarship funds, however, were commingled with other sources of revenue and records were inadequate to determine if public funds were used to subsidize individual students. (0279-0456; 0947-1001)

AIMS also imposed a \$50 fee upon parents for absences from the SAIL program. (May 23, 2011 Memorandum from Larry Martinez to Parents) (0593-0595). Education Code §47605(d)(1) is clear that:

In addition to any other requirement imposed under this part, a charter school shall be nonsectarian in its programs, admission policies, employment practices, and all other operations, shall not charge tuition, and shall not discriminate against any pupil on the basis of the characteristics listed in Section 220.

This fee violates the prohibition against charter schools from charging tuition.

D. Other Conflict of Interest Violations

1. IRC 501(C)(3) Violations

a. Failure to Disclose Excess Benefit Transactions with Disqualified Persons on Form 990 (Chavis, Amador, Larry Martinez)

Tax-exempt organizations are obligated to disclose excess benefit transactions with disqualified persons under federal tax law. (Internal Revenue Code §4958) That statute defines a “disqualified person” as “any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction.”

The 2007-2009 Form 990 for AIPCS, AIPCS II and AIPHS fail to disclose any of the AIMS leases, construction contracts with Lumbee Holdings and American

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Delivery Systems and administrative services agreements with A & A and AAFS in which the founder or his spouse had a financial interest. AIMS also failed to disclose the founder's interest in OASES, and failed to disclose Martinez's interest in SAIL. (AIPCS, AIPCS II and AIPHS IRS Form 990, Tax Year 2007-2009) (0596-0691).

b. Failure to Report Donor Advised Funds or Grants and Other Assistance on Form 990

AIMS offered some students scholarships to attend the SAIL summer program. It also used former students to teach at the program. In lieu of paying wages, AIMS provided scholarship money for these former students to attend college. However, none of the AIMS Form 990's report as a Sponsoring Organization of Donor Advised Funds. (See, e.g., Internal Revenue Code §4966(d)(1)) (AIPCS, AIPCS II and AIPHS IRS Form 990, Tax Year 2007-2009) (0596-0691; 0968-0970)

In addition, the founder's financial interest in transactions with AIMS violated the prohibition against private inurement in nonprofit benefit corporations.

2. Failure to File Form 700 with FPPC

In December 2011, the District discovered that AIMS board members had not filed Form 700 with the Fair Political Practices Commission, as is required by the Political Reform Act, and advised AIMS of this requirement. AIMS complied with this requirement, with its Board members filing their Form 700's during the first few months of 2012. (January 12, 2012 Memorandum from AIMS Board President

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Michael Stember to Gail Greely; AIMS Board members Form 700) (AIPCS, AIPCS II and AIPHS IRS Form 990, Tax Year 2007-2009) (0596-0691).

However, AIMS had not complied with this legal requirement up to this point, and only did so after being instructed by the District.

E. Discriminatory Enrollment Practices

AIMS also engaged in the following discriminatory practices:

- Failed to offer food service or Free and Reduced Lunch Program, which would have the effect of discouraging low-income families from enrolling in the school;
- Initiated a 5th grade program and substantially expanded its 6th grade at AIPCS II after the start of its school year on a first-come, first-served basis as opposed to using the lottery process set forth in the AIMS charter;
- In the course of its recruitment efforts for the 5th and 6th grades in the fall of 2011, Chavis, claiming to speak on behalf of AIPCS II, informed the principal of OUSD's Lincoln school that AIPCS II would discourage enrollment of families from Lincoln into AIPCS II;
- For the 2012-2013 school year, in recruiting for expansion of AIPCS II to cover grades K through 8, Chavis again told the Lincoln principal that AIPCS II would discourage enrollment by families from Lincoln. An employee of AIPCS II informed OCS

that she was instructed not to select names from the waiting list in a way that would not enroll Lincoln students and would enroll all African-American and Latino families who applied.

F. Failure to Create an Adequate Record of its Transactions

One of the significant deficiencies in the AIMS Board's performance is the failure to maintain adequate documentation of its actions, as set forth below.

1. Absent/Incomplete Board Minutes

The District made a June 26, 2012 Public Records Act ("PRA") Request for documents related to the OUSD Board's conditions to the renewal of the AIPCS II charter, including the following:

- An updated roster of the membership of the AIMS governing board, including the terms and positions/officers. Contact information must include e-mail addresses and telephone numbers for direct contact with the board members - not school telephone numbers and e-mail addresses.
- An updated schedule of governing board meetings.
- Agendas and minutes of meetings, and any related correspondence or records, documenting board membership since the beginning of December 1, 2011, including the resignation or removal of Judy Marquardt, the election and subsequent resignation or removal of Debra England, the

election of new board members Michael Yu and Jean Jackson Martinez, the resignation or removal of Michael Yu, and the election of Stephen Leung. Documentation should include the personal resume and letter of interest that is part of the board selection process described in the school's charter.

- A copy of the contract with the Charter School Development Center for governing board training.
- A copy of the training materials provided by the Charter School Development Center, with identification of any material not covered in the live training session.
- A sign-in sheet, meeting roll call or other records documenting attendance at the training, including governing board members and any others present.
- Schedule, agenda(s) and contracts (if applicable) for any additional training to be provided by CSDC or other individual/organization. (June 26, 2012 letter from OUSD to AIMS) (0545-0549).

By letter of July 14, 2012, AIPCS President Jean Martinez responded to the District's PRA request, stating that the charter school could not produce the requested documents:

I am unable at this time to provide you the rest of the information that you requested. Several board members and employees who have this information are out of town for their summer vacation. I will, however provide you a copy of this information by August 1, 2012.

In addition, the secretary of our board Mr. Jordan Locklear's laptop computer was stolen after the February 21, 2012 board meeting. The computer had the minutes on it from the board meeting. (July 14, 2012 Memorandum from Jean Martinez to Gail Greely) (0552-0553).

This was not the first time that AIMS was not able to produce documentation of its Board's actions. Board documents requested as part of the standard OCS renewal site inspection for AIPCS II were incomplete and two follow-up requests were made to try to obtain a complete set of board agendas and minutes for the previous year. Up-to-date board documents were also requested by the District at the May 29, 2012 AIMS Board meeting. The District's follow-up June 26, 2012 PRA Request states as follows:

On May 30, 2012 I sent an email to Michael Stember requesting a list of documents to so confirm. Because a new board president had been elected on May 29th, Mr. Stember asked that I forward my request to you, which I did that same day. Having received no reply, I sent the message again on June 6, 2012. In reply, on June 13, 2012, you stated, "I am unable to provide you the board agenda for the year as you requested. Once it is approved by the board I will forward it to you." I replied, asking again for all of items requested on May 30th, to which you replied that you could not provide the requested items until after another AIMS board meeting. Although none of these items required board action prior to a response, you have now held two publicly-noticed

governing board meetings since my original request. (June 26, 2012 OUSD Letter to AIMS) (0545-0549).

As discussed below, a review of the content of the minutes shows them to be often incomplete, without description of the action taken or, in some cases, votes cast. AIMS has failed to maintain adequate documentation of its Board's action, and has failed to implement sufficient security or backup measures to safeguard minutes and other documentation of its Board's actions. Although AIMS has a functioning website (<http://www.aimschools.org>), to date, the website has failed to contain board agendas, minutes, or any information regarding the AIMS board whatsoever.

2. The Agendas and Minutes of the AIMS Board Contain Inadequate Agenda Descriptions and Violate the Brown Act

The AIMS Board bylaws require that minutes of meetings be made and kept. (Article 7, Section 1). The minutes for the AIMS Board meeting lack sufficient detail to put interested parties on notice of the business transacted by the Board. The minutes often provide no more than a restatement of the agenda item.

Following are some examples:

Meeting Date	Agenda / Minute Description	Deficiency
December 17, 2009	VII.(A): "Approve New Hires"	Vague: Fails to identify position
January 12, 2010	VI (III). Update on AIPCS II Lease with Lumbee Holding, LLC	No indication in minutes of disclosure of founder's financial interest
January 12, 2010	VI (IV). SAIL	No indication in

Meeting Date	Agenda / Minute Description	Deficiency
		minutes of disclosure of founder's financial interest
January 12, 2010	VI(X). Change in "Use" in Lease Agreement with AIPHS	No indication in minutes of disclosure of founder's financial interest
January 12, 2010	VII(III). Approve AIPCS II's option to expand to 2 nd floor from Lumbee Holding, LLC	No indication in minutes of disclosure of founder's financial interest
January 12, 2010	VII(VI). Approve the contract with architect and contractor at 171 12 th street to move forward with the work.	No indication in minutes of disclosure of founder's financial interest; No disclosure of identity of architect or contractor.
March 18, 2010	V(b). New employees and new roles	Vague: Fails to identify position
March 18, 2010	V(g). Closed: Salary Increase	Closed session agenda item does not comply with Brown Act; Fails to identify position
March 18, 2020	V(k). Board Member Roster Change	Fails to identify affected Board member
June 17, 2010	IV(i). New Hires and Resignations V(g). New Hires	Vague: Fails to identify position

Meeting Date	Agenda / Minute Description	Deficiency
September 19, 2010	V(g). New Hires	Vague: Fails to identify position
December 13, 2010	IV(K), VII(E). New Employment Contract IV(A). Staff Updates.	Vague: Fails to identify position. Minutes indicate approval without identifying position, employee.
December 13, 2010	IV(B). Construction Update on Cost of AIPCS II	No indication in minutes of disclosure of founder's financial interest
March 4, 2011	V(a) Discuss the next step for the pending legal case (Closed Session)	Closed session not agendized in compliance with the Brown Act. (Gov't. Code §54954.5)
March 4, 2011	V(b) Decide on the two authorize (sic) representatives for the school for the pending legal case (Closed Session).	Closed session not agendized in compliance with the Brown Act. (Gov't. Code §54954.5)
March 24, 2011	IV(p) Lease for AIPCS II – AIPCS II's lease needs to be re-negotiated with Dr. Chavis, Judi and Michael were selected to lead the negotiations.	No indication in minutes of disclosure of founder's financial interest
March 24, 2011	V(a) – New Employees	Vague: Fails to identify position or individual.

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Meeting Date	Agenda / Minute Description	Deficiency
June 23, 2011	XI(a) Approve New Hires	Vague: Fails to identify position or individual.
June 23, 2011	"Unfinished Business, New Business and Action Items,"	Vague agenda items; Three different agendas for 6/23/11 for AIMS board.
June 23, 2011 (Second Set)	VII(a) Arizona Charter School Petition	Outside of authority of AIMS charters; Improper Use of State funding
June 23, 2011 (Second Set)	VII(d) Bonus Plan for Director (Closed Session)	Improper closed session agenda description. (Gov't. Code §54954.5)
June 23, 2011 (Second Set)	VII(f) Legal Case Result (Closed Session)	Improper closed session agenda description. (Gov't. Code §54954.5)
June 29, 2011	IV(b) Bonus Plan for 2011-2012 IV(c) Salary Plan for 2022-2012	Vague: Fails to identify position(s)
July 14, 2011	V(a) New Leadership Position	Minutes reveal that this item referred to the return of the founder in an unpaid position.
September 22, 2011	6. Closed Session	No agenda items appear under closed session. (Gov't. Code

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Meeting Date	Agenda / Minute Description	Deficiency
		§54954.5) Minutes do not indicate whether any action was taken in closed session, but only repeat language of agenda.
November 2011	Action by Unanimous Written Consent	Founder Ben Chavis is added to the AIMS Board without a duly noticed board meeting
December 12, 2011	5.2 Approval of 2011-2012 New employee contracts.	Vague: Fails to identify position(s)
December 12, 2011	6. Closed Session	Agenda contains no closed session agenda items (Gov't. Code §54954.5)
December 12, 2011	Minutes Reflect that board members Rodriguez and Stember appeared by telephone	Appearance by teleconference not noted in agenda, as required by Brown Act (Government Code §54953)
January 11, 2012	5.1 Approval of working with Tucson AIM schools	Outside of authority of AIMS charters; Improper Use of State funding
February 21, 2012	4.1 Debra England has joined the board	It is not clear whether the Board took action to approve Ms. England's

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Meeting Date	Agenda / Minute Description	Deficiency
		appointment, per Board bylaws
February 21, 2012	6.2 Approval of Employment Contracts and Transfers	Vague: Fails to identify position(s)
May 29, 2012	5.2 AIPCS II's Budget/Employee Raises	Vague: Fails to identify position(s)
May 29, 2012	5.3 New Employees	Vague: Fails to identify position(s)
May 29, 2012	5.4 Lease: 171 12 th Street	No indication in minutes of disclosure of founder's financial interest
May 29, 2012	6. Closed Session	No closed session agenda items included
June 16, 2012	5.2 AIPCS and AIPHS Budget/Employee Raises	Vague: Fails to identify position(s)
June 16, 2012	6. Closed Session	No closed session agenda items included
June 19, 2012	5. Closed Session	Proper Anticipated Litigation closed session agenda language is used
June 19, 2012	10. Employment Contracts	Vague: Fails to identify position(s)
June 19, 2012	5.3 Lease: 171 12 th Street	No indication in minutes of disclosure of founder's financial interest

Meeting Date	Agenda / Minute Description	Deficiency
June 24, 2012	4. Closed Session	Proper closed session personnel agenda item language is used
July 17, 2012	5.5 Approve Employees	Vague: Fails to identify position(s)
July 17, 2012	7. Closed Session	Reversion back to failure to list closed session agenda items in accordance with Gov't. Code §54954.5

(AIMS Board Meeting Agendas and Minutes) (0730-0819)

G. Violations by AIMS Board

1. High Board Turnover/Failure to Elect Board Members in Compliance with Bylaws/Lack of Community Involvement in Election of Officers

The AIMS charters incorporate by reference the corporate bylaws governing the AIMS Board. (AIPCS Charter, Governance (Section IV), pp. 32-33; AIPCS II Charter, Governance (Section IV), pp. 31-32; AIPHS Charter, Governance (Section IV), pp. 30-31) Those bylaws contain the following provisions:

“A majority of the Board of Directors shall consist of one parent, business representative and educator. The Board of Directors may include the Director of the School, if the Director of the

school so wishes to serve during their term of employment, but will include no other full-time employees.” (Article 3, Section 1)
“The Directors who are to be elected by the Board of Directors shall be so elected at the annual meeting of the Board of Directors then in office. Directors nominated to fill vacancies may be elected by majority vote at any regular or special meeting.”
(Article 3, Section 1)

The AIMS Board experienced turnover in several seats during 2011 and 2012. There is no evidence in any of the Board’s agendas or minutes that the Board followed the bylaws in electing members or filling vacancies at a regular or special meeting in accordance with Article 4, Section 5 of the bylaws in every instance of a Board vacancy. Minutes also provide no indication that the procedures for selecting Board members, including submission of a resume, were followed.

The AIPCS board has undergone tremendous turnover. Following is a summary of board member changes and other agenda violations:

1. November 2011: Documentation states that Ben Chavis is elected to the board by written consent and he subsequently participates in the board meeting of December 12, 2011. (0798, 0800-802)
2. December 14, 2011: Minutes from January 2012 reflect that Chavis resigned from the board. (0804)
3. February 21, 2012: The agenda reflects that “Debra England has joined the board” without reflecting any action by the board to

add her as a member. AIMS did not provide minutes from this meeting reflecting whether board action was taken.

4. May 29, 2012: The Board held a 5-hour governing board training session that was not agendized. The Board seated two new members, Michael Yu and Jean Jackson Martinez, though it is not clear that they were elected through Board action.⁴ The status of former Board member Debra England was also not clear. AIMS did not respond to the District's request for minutes related to any of these changes in the Board.
5. June 19, 2012: During this special meeting, only 3 of the 5 Board members were present.
6. June 24, 2012: The Board seated a new member, Steven Leung, without explaining why former member Michael Yu was no longer on the Board. As with the last two new members, the Board failed to vote to approve the members as required by its bylaws.
7. July 17, 2012: The Board voted 3-1 to remove members Mike Stember and Chris Rodriguez. Mr. Rodriguez was not permitted by the Board president to speak about the motion to remove him. The remaining board members voted 3-0 to appoint Nedir Bey and Ronald Grant to the Board.

⁴ Documentation provided by AIMS shows that board member Yu only served for two days, from 5/29/12 to 5/31/12.

8. September 18, 2012: During the September 18, 2012 meeting, the Board adjourned into closed session without giving the public an opportunity to comment on the closed session agenda items. (However, the closed session agenda item was properly noticed in accordance with Gov't. Code §54954.5.) An agreement with the East Bay Chinese School was approved without any Board discussion as to the terms, and without disclosure of Board member Leung's (who voted to approve) role as a broker. Documents provided to board members were not provided to the public, in violation of Government Code §54957.5)

Documentation provided by AIMS shows that, in 2012 alone, 5 members left the 5-member AIMS board (Judy Marquardt, Debra England, Michael Stember, Christopher Rodriguez and Michael Yu). Five new members were seated in 2012 (Jean Martinez, Jordan Locklear, Ronald Grant, Nedir Bey and Stephen Leung). (AIMS Board Member Lists) (0820-0825).

2. Failure to Involve Parents in School Governance/Failure to Convene Family Advisory Committee

The bylaws contain the following provisions:

“A majority of the Board of Directors shall consist of one parent, business representative and educator. The Board of Directors may include the Director of the School, if the Director of the school so wishes to serve during their term of employment, but will include no other full-time employees.” (Article 3, Section 1)

In addition, Cal. Admin. Code tit. 5, §11967.5.1(f)(4) contains the following requirements for a charter school’s description of its governance structure:

The governance structure of the school, including, but not limited to, the process to be followed by the school to ensure parental involvement in supporting the school's effort on behalf of the school's pupils, as required by Education Code section 47605(b)(5)(D), at a minimum:

- (A) Includes evidence of the charter school's incorporation as a non-profit public benefit corporation, if applicable.
- (B) Includes evidence that the organizational and technical designs of the governance structure reflect a seriousness of purpose necessary to ensure that:
 - 1. The charter school will become and remain a viable enterprise.

2. There will be active and effective representation of interested parties, including, but not limited to parents (guardians).
3. The educational program will be successful.

The charters for the AIMS schools commit to the creation of Family Advisory Committees as an element of the governance structure to ensure community involvement in decision-making. As part of its charter renewal site inspection, OCS asked AIPCS II for information about and an interview with representatives of this group. In the parent focus group discussion organized by AIPCS II for the renewal site inspection held in December 2011, the individuals present reported the following to OCS staff:

- They had not been chosen by a parent group, but had all been asked to serve on the Family Advisory Committee by Ben Chavis.
- Only one of those present had a student currently attending AIPCS II.
- There had been no meetings of the Family Advisory Committee and there was no plan to schedule meetings to which other family members would be invited.
- They did not have any structure for reporting parent or family concerns or issues to the AIMS governing board.

The AIMS Board violated the terms of its charter by failing to convene a Family Advisory Committee and provide parent engagement in the governance of the

school. (Family Advisory Committee, December 9, 2011; AIPCS II charter) (0826-0827)

3. Other Irregularities in Governing Board Procedures

At its June 24, 2012 meeting, the AIMS Board committed the following infractions/violations:

- Despite high attendance, the Board did not explain procedures, provide translations, or provide written copies of agendas or supporting materials.
- Attendees were asked to sign in, in violation of the Brown Act's prohibition against conditions on attendance. (Gov't Code §54953.3)
- Attendees were also erroneously advised by a Board member that they could only speak on agendized topics.
- The Board also incorrectly reported out closed session personnel appointments, and improperly took action on the retention of an independent contractor in closed session.
- The Board skipped over agenda items without explanation.

OCS staff has observed nine (9) meetings of the AIMS governing board, beginning in December 2011 and continuing to September 2012. Observations include meetings conducted after two separate sessions of board training (May 29, 2012 and August 31, 2012). Both before and after the hours of specific board training, the AIMS governing board repeated the same kinds of Brown Act violations that occurred on June 24th. As recently as September 18, 2012, OCS staff observed:

- Members of the public being asked to sign in before attending the meeting;
- Failure to call roll;
- Failure to vote following motions;
- Discussion of items not on the agenda;
- Consideration of action items that were agendized as information only.

H. Prior Notices of Concern

OUSD has issued prior Notices of Concern to AIMS based on other suspected charter violations. Those are summarized below:

1. November 22, 2011 Notice of Concern (AIPCS II):

OUSD's November 22, 2011 Notice of Concern addressed, among other things, AIPCS II's rapid expansion of the school beyond the 200 students indicated in its charter, and the late addition of 5th grade; AIPCS II's failure to obtain an occupancy permit for its site; concerns about AIPCS II's compliance with credentialing requirements; and concerns about AIMS opening a private school at its charter school campuses.

AIPCS was given an opportunity to respond to the District's Notice of Concern, and did so on January 11, 2012. The District responded in writing on January 31, 2012, noting that there was no indication that the AIMS Board took any action with respect to the expansion of 5th grade or that any planning took place in anticipation

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of the addition of this grade level. OUSD also noted that not all AIPCS II teachers had the required credentials, that AIPCS II did not take any steps to ensure that the late-starting 5th graders received sufficient instructional minutes, and noted that AIPCS failed to satisfactorily respond to the other items noted in OUSD's Notice of Concern. (November 22, 2011 Notice of Concern; OUSD January 31, 2012 Notice of Concern Findings) (0464-0476)

2. January 23, 2012 Notice of Concern regarding Sexual Harassment
Complaints and Treatment of Students:

OUSD's January 23, 2012 Notice of Concern notified AIMS of "serious allegations of sexual harassment and verbal or physical abuse of students" that had been brought to the District's attention, and asked AIMS to provide records of all complaints received within the last 3 years. AIMS' February 10, 2012 response failed to include reference to at least one very serious allegation of sexual harassment that had been brought to the District's attention. In response, AIMS stated that "[w]e have no record of this letter in our files" and provided no indication that it would make any further inquiry. Staff's findings included failure to have adequate policies and practices in place to protect staff and students. (January 23, 2012 Notice of Concern; March 15, 2012 OUSD Notice of Concern Findings) (0925-0938)

3. November 22, 2011 Notice of Concern regarding AIMS compliance with credentialing requirements:

After AIMS failed to provide credentialing information to OUSD as part of the Fall Information Update, the District issued a notice of concern asking for information regarding staffing and personnel changes at AIMS schools. AIMS' January 11, 2012 response did not provide the requested verification that all AIMS teachers had the credential required by law to teach their course of study. Independent investigation by OUSD indicates that not all AIMS teachers had the credential required to teach their class(es). AIMS schools were continuing to seek appropriate credentials for some teachers into the spring, with the result that several violations of credential requirements persisted through most of the school year.

V. RENEWAL OF AIPCS II CHARTER BY OUSD BOARD IN APRIL 2012

At its April 4, 2012 meeting, the OUSD Board considered the renewal petition of one of the three AIPCS schools, AIPCS II, serving grades 5-8. After extensive deliberation and public comment, the Board voted to renew the AIPCS II charter for a term of five years, along with the following conditions:

- That there be professional development for the governance team;
- That the school institute generally accepted accounting practices;
- That the school report back to the Board within two years with demonstrable change, or the OUSD Board will move for revocation.

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(OUSD Board Minutes, April 4, 2012) (0828-0860).

It is important to note that the April 4, 2012 renewal only pertained to one of the three AIMS charters, AIPCS II. (OUSD April 4, 2012 Staff Report) (0861-0918). At the time of the Board's renewal of the AIPCS II charter, FCMAT had not yet issued its Final Report, though it had issued Preliminary Findings, which were attached as Attachment III to the District's Staff Report. (OUSD April 4, 2012 Staff Report) (0861-0918). The Final FCMAT Report was issued June 12, 2012. The District considers the issuance of the Final FCMAT Report subsequent to the Board's renewal of the AIPCS II charter in April, 2012 to be a superseding event compelling the District to issue a Notice of Violation to all 3 charter schools under the jurisdiction of the AIMS Board.

Follow-up by District staff on the conditions shows that while the AIMS Board has undergone 2 training sessions, it is still engaging in unsound governance practices, as described above. For example, a District observer noted at the September 7, 2012 meeting the following:

- Only three AIMS Board members were in attendance;
- Board supporting documentation was not made available to the public, in violation of Government Code §54957.5;
- In the course of approving a Legal Services Agreement, the Board President referred to prior conversations discussing the details of the Agreement with other Board members, which would constitute a violation of the Brown Act;
- The Board president's remarks were inaudible at times;
- Deliberation among Board members was minimal, and often inaudible to the audience;

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- The agenda contained an unclear item description: the item labeled "AIMS School Committee" actually referred to Board Committees.
- Discussion revealed that, even after the issuance of the Final FCMAT Report, the founder is still involved in discussions regarding AIMS facilities.

District staff is reviewing AIMS fiscal documentation to determine whether AIMS is making progress in using Generally Accepted Accounting Principles. However, when asked by OCS to provide its fiscal policies as demonstration of compliance with GAAP, AIMS submitted fiscal policies that were unchanged from those submitted in December 2011. The AIMS Board has not adopted new fiscal policies to ensure compliance with GAAP. AIMS has also experienced additional turnover in its fiscal administration. On March 23, 2012, then-board president Michael Stember met with OCS to introduce a new financial administrator, replacing Amador. Since that time, both the new financial administrator and the bookkeeper she hired to assist her have resigned, and a new financial administrator has been hired, making her the 3rd CFO for AIMS since the start of 2012.

VI. REMEDY PERIOD AND AIMS PROPOSED CURE

Cal. Admin. Code tit. 5, §11968.5.2(c) describe the charter school's obligations once a Notice of Violation is served:

Upon receipt of a Notice of Violation, the charter school's governing body as described in the school's charter, if it chooses to respond, shall take the following actions:

- (1) Submit to the chartering authority a detailed, written response addressing each identified violation which shall include the refutation, remedial action taken, or proposed remedial action by the charter school specific to each alleged violation. The written response shall be due by the end of the remedy period identified in the Notice of Violation.
- (2) Attach to its written response supporting evidence of the refutation, remedial action, or proposed remedial action, if any, including written reports, statements, and other appropriate documentation.

The District provides AIMS with a remedy period of sixty (60) days – no later than November 28, 2012 -- in which to provide the written response described above. In its written response, AIMS will be expected to address the violations addressed herein and identify remedial steps in the areas raised in the NOV, including but not limited to the following:

- Management of the AIMS organization to ensure compliance with applicable legal requirements, including enrollment and teacher credentials
- Changes to structure and operation of AIMS governing board to ensure greater fiscal and operational control;
- Identification of responsible agent for AIMS fiscal operations;
- Institution of conflict of interest enforcement procedures;

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- Appropriate separation of founder and spouse from all aspects of AIMS operations.

Under Cal. Admin. Code tit. 5, §11968.5.2(c) and (d), the District will evaluate AIMS' written response to this Notice of Violation, and, in light of AIMS' identified remedial measures, will consider whether to proceed with the revocation of the AIMS charter.

Very Truly Yours,



Certified:



Edgar Rakestraw, Jr., Secretary
Board of Education

Gail Greely
Director, Office of Charter School
Oakland Unified School District

Cc: Paul C. Minney, Middleton, Young & Minney, Counsel for AIMS Schools
Jacqueline P. Minor, General Counsel, OUSD Office of the General Counsel
John R. Yeh, Burke, Williams & Sorensen, LLP, Counsel for OUSD

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ATTACHMENT 1

SUMMARY OF FCMAT FINDINGS ON IMPROPER FINANCIAL TRANSACTIONS

Payee / Beneficiary	Interested Party Relationship	Time Period	Amount	Payment Type	FCMAT Source Data
Ben Chavis	Former chief executive, former board member, self-identified as founder and chief or chief emeritus	7/1/2009 through 12/31/2011	\$ 130,265.00	Wages - various positions	General Ledger
Marsha Amador	Former financial administrator (CFO) for AIMS, spouse of Ben Chavis	7/1/2009 through 12/31/2011	\$ 30,000.00	Wages - financial administrator (CFO)	General Ledger
ADS/Lumbee Holdings	Ben Chavis, owner	2007 - 2008	\$ 348,500.00	Construction (AIPCS II facility)	Business Office
ADS(American Delivery Systems)	Ben Chavis, owner (per statements to FCMAT)	7/1/2009 through 12/31/2011	\$ 38,000.00	Construction (AIPCS II facility)	General Ledger
AAFS	Marsha Amador and her mother identified as owners (per public records)	7/1/2009 through 12/31/2011	\$ 325,833.00	Financial management services	General Ledger
Lumbee Holdings	Ben Chavis, owner (per public records)	7/1/2009 through 12/31/2011	\$ 1,338,065.00	Rent and storage (AIPCS II facility)	General Ledger
ADS (American Delivery Systems)	Ben Chavis, owner (per statements to FCMAT)	7/1/2009 through 12/31/2011	\$ 1,109,495.00	Rent and storage (AIPCS and AIPHS facilities)	General Ledger
SAIL (Stanford Academic Institute of Learning)	Larry Martinez (former board member) and Ben Chavis appear on correspondence as management	7/1/2009 through 12/31/2011	\$ 458,000.00	Summer mathematics program	General Ledger
OASES	Ben Chavis, owner/operator (per statements to FCMAT)	7/1/2010 through 6/30/2011	\$ 105,000.00	ASES grant administration	General Ledger
Ben Chavis	Former chief executive, former board member, self-identified as founder and chief or chief emeritus	7/1/2009 through 12/31/2011	\$ 25,748.09	Unsupported credit card charges, including expenditures for establishment of Arizona charter school and personal expenses	General Ledger
Lumbee Holdings	Ben Chavis, owner (per public records)	1/1/2009 through 9/30/2009	\$ 30,000.00	Non-refundable deposit to escrow account for property to be purchased by AIMS and Lumbee Holdings	General Ledger
Total			\$ 3,938,906.09		

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AIM Conflict of Interest Policy	0158-0161
Lease for AIPCS (Grades 5-8) (3637 Magee Ave., Oakland, CA)	0162-0167
Lease for AIPHS Charter (Grades 9-12) (3626-28 35 th Ave., Oakland, CA)	0168-0172
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Letter to AIMS from California School Finance Authority (July 3, 2012).....	0579-0585
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EXHIBIT 2



VIA PERSONAL DELIVERY
January 24, 2013

To the Governing Board
American Indian Model Schools:

American Indian Public High School
3637 Magee Avenue
Oakland, CA 94619

American Indian Public Charter School II
171 12th Street
Oakland, CA 94607

American Indian Public Charter School
3637 Magee Avenue
Oakland, CA 94619

NOTICE OF INTENT TO REVOKE
AND NOTICE OF FACTS IN SUPPORT OF REVOCATION

I. INTRODUCTION

On September 27, 2012, the Oakland Unified School District (“District” or “OUSD”) issued a Notice of Violation (“NOV”) to American Indian Model Schools (collectively “AIMS”) under Education Code Section 47607(d). The NOV was based on numerous violations, including but not limited to the following:

- The AIMS founder was paid approximately \$3.8 million in public education funds for contracts between AIMS and his companies, in violation of conflict of interest laws;
- The AIMS board committed fiscal mismanagement by failing to maintain institutional and fiscal control in allowing these contracts to be entered into, allowing improper use of AIMS credit cards, and failing to adequately document its transactions.

The District provided AIMS 60 days to remedy the violations in the NOV and to provide a written response. AIMS submitted its written response on November 26, 2012. AIMS' response included the following contentions (among others):

- The contracts at issue did not violate any laws because the AIMS Board knew that the founder had a financial interest in the contracts at the time that they approved them;
- The AIMS Board maintained control over the charter school's fiscal affairs because the credit card expenses were appropriate and related to school business and the organization properly documented its transactions.

The District has evaluated AIMS' response to the NOV. For the reasons stated herein, the Superintendent has found "substantial evidence that the charter school has failed to refute [the violations] to the chartering authority's satisfaction, or remedy a violation identified in the Notice of Violation," (Cal. Admin. Code Tit. 5, § 11968.5.2(d)). The grounds for the revocation are set forth in greater detail in this Notice of Intent to Revoke. The primary grounds include the following:

- AIMS did not acknowledge that its founder, Ben Chavis, committed conflict of interest violations, nor did AIMS take steps to address those conflicts of interests.
- AIMS failed to institute acceptable institutional reforms to safeguard against future violations.
- AIMS failed to institute acceptable changes in its financial and operational procedures to ensure that future fiscal mismanagement does not occur.
- AIMS failed to engage sufficient institutional expertise, such as a charter management organization, to implement the necessary institutional and organizational overhaul of its operations.
- AIMS failed to address in an acceptable manner any means or process for defining the role of the founder or achieving the necessary separation of him from the organization.

Therefore, the Superintendent recommends that the Board of Education approve the issuance of a Notice of Intent to Revoke and Notice of Facts in Support of Revocation (“Notice of Intent to Revoke”) to AIMS under Education Code Section 47607(e). The Notice of Intent to Revoke is directed towards American Indian Public High School, American Indian Public Charter School and American Indian Public Charter School II, the three charter schools under the governance of the AIMS Board.

II. PROCEDURAL BACKGROUND

AIMS currently holds three charters granted by OUSD:

School	Renewal Term	Location
American Indian Public High School (“AIPHS”)	July 1, 2011 – July 1, 2016	Location: 3637 Magee Avenue, Oakland, CA Approved satellite location: 171 12 th Street, Oakland, CA
American Indian Public Charter School, Grades 5-8	July 1, 2011 – July 1, 2016	3637 Magee Avenue, Oakland, CA
American Indian Public Charter School II, Grades K-8	July 1, 2012 – June 30, 2017	171 12 th Street, Oakland, CA

The OUSD Board of Education (“OUSD Board”) issued the NOV against AIMS at its September 27, 2012 meeting.¹ The OUSD Board provided AIMS a 60-day period in

¹ The NOV and its exhibits are incorporated by reference into this Notice of Intent to Revoke, and its contents adopted as if set forth herein. Page number references in citations refer to the Appendix to the NOV unless indicated otherwise.

which to remedy the violations identified in the NOV. On November 26, 2012, AIMS provided its written response to the NOV.

The OUSD Board will vote on whether to issue this Notice of Intent to Revoke at its January 23, 2013 meeting. If the OUSD Board decides to issue the Notice of Intent to Revoke, the OUSD Board shall hold a public hearing within 30 days and will take final action on whether to revoke the AIMS charters within 60 days pursuant to Education Code section 47607(e).

III. LEGAL BASIS FOR ACTION

A. The Revocation Process:

The revocation of a charter is governed by Education Code § 47607. Education Code § 47607(c) sets forth the grounds for revocation:

A charter may be revoked by the authority that granted the charter under this chapter if the authority finds, through a showing of substantial evidence, that the charter school did any of the following:

- (1) Committed a material violation of any of the conditions, standards, or procedures set forth in the charter;
- (2) Failed to meet or pursue any of the pupil outcomes identified in the charter;
- (3) Failed to meet generally-accepted accounting principles, or engaged in fiscal mismanagement; or
- (4) Violated any provision of law.

The charter-authorizing agency precedes revocation with a Notice of Violation and a reasonable opportunity to remedy the violation under Education Code § 47607(d):

Prior to revocation, the authority that granted the charter shall notify the charter public school of any violation of this section and give the school a reasonable opportunity to remedy the violation,

unless the authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils.

Prior to revocation, the charter-authorizing agency provides the charter school with a Notice of Intent to Revoke, and conducts a public hearing on the potential revocation (Educ. Code § 47607(e)). The charter school may appeal the revocation to the County Board. *See* Educ. Code § 47607(f)(1)).

B. SB 1290 Amendment to Education Code §47607:

SB 1290, which took effect January 1, 2013, amended Education Code § 47607 to add the following provision:

The authority that granted the charter shall consider increases in pupil academic achievement for all groups served by the charter school as the most important factor in determining whether to revoke a charter.

The amendment defines “all groups of pupils served by the charter schools” as “numerically significant pupil subgroups” in the following categories: ethnic subgroups, socioeconomically disadvantaged pupils, English learners and pupils with disabilities.

C. California Code of Regulations

The California Code of Regulations describes the charter school’s obligations once a Notice of Violation is served:

Upon receipt of a Notice of Violation, the charter school's governing body as described in the school's charter, if it chooses to respond, shall take the following actions:

Notice of Intent to Revoke

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- (1) Submit to the chartering authority a detailed, written response addressing each identified violation which shall include the refutation, remedial action taken, or proposed remedial action by the charter school specific to each alleged violation. The written response shall be due by the end of the Remedy Period identified in the Notice of Violation.
- (2) Attach to its written response supporting evidence of the refutation, remedial action, or proposed remedial action, if any, including written reports, statements, and other appropriate documentation. (Cal. Admin. Code Tit. 5, §11968.5.2(c).)

Once the charter school responds to the Notice of Violation, the District determines whether to proceed with the revocation process. As set forth in subsections (d) and (e):

- (d) After conclusion of the reasonable opportunity to remedy, the chartering authority shall evaluate the response of the charter school's governing body as described in the school's charter response to the Notice of Violation and any supporting evidence, if submitted, and shall take one of the following actions:
 - (1) If the chartering authority has substantial evidence that the charter school has failed to refute to the chartering authority's satisfaction, or remedy a violation identified in the Notice of Violation, the district shall continue revocation of the school's charter by issuing a Notice of Intent to Revoke to the charter school's governing body as described in the school's charter; or
 - (2) Discontinue revocation of the school's charter and provide timely written notice of such action to the charter school's governing body as described in the school's charter.
- (e) If the chartering authority does not act, as specified in subdivision (d), within 60 calendar days of the conclusion of the Remedy Period specified in the Notice of Violation, the revocation process is terminated and the Notice of Violation is void.

Approval by the OUSD Board of the Notice of Intent to Revoke on January 23, 2013 would fall within the 60-day deadline set forth in the California Code of Regulations. (Cal. Admin. Code tit. 5, §11968.5.2(d) and (e).) The OUSD Board will hold a public hearing no later than 30 days thereafter and issue a Final Decision no later than 30 days after the public hearing.

The charter school must file any appeal to the County Board within 30 days of any OUSD Board final action to revoke. (Cal. Admin. Code tit. 5, § 11968.5.4(a).)

IV. ANALYSIS OF ALLEGED VIOLATIONS OF LAW AND CHARTER

The September 27, 2012 Notice of Violation alleged that the AIMS board failed to exercise fiscal and institutional control over the operation of the charter schools by allowing the following violations to occur:

Violations of Law and Charter	
Conflict of Interest Violations	<ul style="list-style-type: none"> ▪ Interested Party Transactions <ul style="list-style-type: none"> ○ Contracts with founder’s companies ▪ Other Conflict of Interest Violations <ul style="list-style-type: none"> ○ Failure to Disclose Excess Benefit Transactions and Donor Advised Funds on Form 990 ○ Failure to file Form 700 with FPPC
Absence of Financial and Operational Controls: Fiscal Mismanagement	<ul style="list-style-type: none"> ▪ Credit card misuse ▪ Numerous checks written to founder and spouse
Discriminatory Enrollment Practices ²	<ul style="list-style-type: none"> ▪ Failure to offer Free and Reduced Lunch Program ▪ Failure to use the public random

² Based on AIMS’ response, not all of the violations alleged in the Notice of Violation will form the basis of the Notice of Intent to Revoke. Those grounds are listed on p. 34 of this Notice.

	<p>drawing process in its charter for its 5th and 6th grade at AIPCS II</p> <ul style="list-style-type: none"> ▪ Discouraging enrollment of families from Lincoln ▪ Charging a \$50 fee for absences from the SAIL program
Failure To Create an Adequate Record of its Transactions (Including Violations of the Brown Act)	<ul style="list-style-type: none"> ▪ Missing, inadequate and noncompliance board agendas and minutes
Unsound Board Practices	<ul style="list-style-type: none"> ▪ High board turnover ▪ Irregularities in selecting new board members
Other Violations of Law	<ul style="list-style-type: none"> ▪ Violation of ASES grant terms ▪ Violation of the prohibition against tuition in the SAIL program ▪ Failure to properly convene a Family Advisory Committee ▪ Gift of public funds (application to open charter school in Arizona)
Failure to Follow Generally Accepted Accounting Principals	<ul style="list-style-type: none"> ▪ Failure to disclose founder’s conflict of interests ▪ Failure to disclose \$30,000 loss in escrow funds from aborted real estate transaction

A. AIMS’ Governing Board’s Failure to Exercise Fiscal and Institutional Control

The NOV alleged that the AIMS Governing Board (“the AIMS Board”) failed to maintain institutional or fiscal control over the operations of the three AIMS charters. Further, as the NOV explains:

This failure led to the founder, Ben Chavis, and his spouse, Marsha Amador, realizing approximately \$3.9 million in financial benefit through contracts and other financial arrangements between the AIMS board and organizations in which one or both had a financial interest ... There was no indication that the AIMS Board took any steps to account for the founder’s financial interests in the agreements it approved, or was even

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aware that such agreements were illegal. The AIMS Board also failed to maintain fiscal control over the AIMS charter schools, or to demonstrate capacity to grasp even the fundamentals of governance. Contributing to this was the near-complete turnover of the AIMS board membership in 2012. (NOV, p. 7, Attachment 1)

In particular, the District contends that the following transactions financially benefited the founder and/or his spouse. The following is a summary of the transactions that resulted in financial benefit to the founder and/or his spouse.

Leases	
AIPCS Grades 6-8:	3637 Magee Ave., Oakland, CA, July 1, 2008 – June 30, 2013, between AIPCS and American Delivery Systems ³ (“ADS”); monthly rent: \$20,684.32. (AIPCS II Lease; March 19, 2012 Letter from ADS (signed by Ben Chavis) to FCMAT) (0173-0190).)
AIPHS Grades 9-12:	3626-28 35th Avenue, Oakland, CA, July 1, 2008 through June 30, 2013, between ADS and American Indian Public High School; monthly rent: \$20,280.00. (AIPHS Lease (0168-0172).)
AIPCS II Grades K-8:	171 12th Street, Oakland, CA, April 1, 2007- March 31, 2012, between AIPCS II Lumbee Holdings; monthly rent: \$21,600.00. (0162-0167.)
“Storage Agreement”	Between AIPCS II, AIPHS, and Lumbee Holdings ⁴ , executed on July 1, 2007; monthly rent: \$1,900. (AIPCS Lease; Lumbee Properties Limited Liability Company Articles of Organization (0162-0167) (0203-0208).)

³ The founder is identified as “Chief” of ADS (194), and signed construction proposals on behalf of ADS (195, 200)

⁴ AIMS Corporate documents list the founder as President of Lumbee Holdings (206-207)

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Construction and Other Contracts	
June 22, 2006 Modernization Project:	Signed on June 22, 2006, by two AIMS Board members with Chavis signing on behalf of ADS. Chavis signed three warrants totaling \$104,000 from the AIMS checking account made payable to Lumbee Properties/ADS. (June 22, 2006 Proposal between American Delivery Systems and AIPCS, signed by Ben Chavis on behalf of ADS; Lumbee Properties Limited Liability Company Articles of Organization; Limited Liability Company Certificate of Cancellation Filed 7/30/07) (0199-0202) (0203-0208) (0207).)
April 22, 2007 Modernization Project:	Signed on April 22, 2007, by two AIMS Board members, with Lumbee Holdings to upgrade restroom facilities at 171 12th Street, Oakland, CA for payment of \$195,500. (April 2007 Proposal between Lumbee Properties, LLC and AIPCS (0209-0213).)
After School Education and Safety Program (ASES) Grant:	Contract with OASES : (2010-2011 Memorandum of Understanding between AIPCS II and East Oakland Leadership Academy, 2010-2011 Memorandum of Understanding between AIPCS II and Conservatory of Vocal/Instrumental Arts) (0251-0254) (0255-0258).)
Stanford Academic Institute of Learning Summer Mathematics Institute (SAIL):	SAIL charged the AIMS charter schools \$500 per student for enrollment in the program. (0262-0264.)
Financial Services Contracts (A & A Business Solutions, LLC, AAFS):	Between July 2009 and December 2011, AIMS paid approximately \$103,181.73 to either AAFS, Chavis or his spouse. (A & A Business Solutions Fictitious Business Name Statement, 1/10/11, signed by Marsha Amador) (0265-0268).)

1. Summary of Allegations in Notice of Violation

These contracts/agreements violate the Political Reform Act (Government Code §87100 *et seq.*), Government Code Section 1090, the common law conflict of interest doctrine, AIMS' own conflict of interest policies, and the AIMS charters.

a. Applicable Laws

The Political Reform Act, specifically Government Code Section 87100, provides that:

No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest.

The Political Reform Act includes in its scope officers and employees of a governmental agency. (Government Code section 82048.)

The AIMS charters expressly state that its Board will comply with the Political Reform Act. (AIPCS Charter, Governance (Section IV), pp. 32-33 (0053-0104); AIPCS II Charter, Governance (Section IV), pp. 31-32 (0105-0157); AIPHS Charter, Governance (Section IV), pp. 30-31) (0001-0052).)

Government Code Section 87103 defines "financial interest" to include "material financial effect" on the public official, or a member of his or her immediate family, or any of the following, in pertinent part:

- "Any business entity in which the public official has a direct or indirect investment worth \$2,000 or more" (Gov. Code Section 87103(a)); or

- Any source of income, except gifts or commercial loans, of \$500 or more, received within 12 months prior to the decision in question (Gov. Code Section 87103(c)); or
- Any business entity in which the public official is a director, officer, partner, trustee, employee, or holds any position of management. (Gov. Code Section 87103(d).)

Government Code Section 1090 also prohibits public officials – including officers and employees – from entering into any contract in which they hold a financial interest. The only contracts that are exempt are those in which the public official has a remote interest (Gov. Code Section 1091) or an interest defined as specifically exempt. (Gov. Code Section 1091(e).)

It is no defense to Section 1090 that the individual in question did not have actual participation in the decision leading to the transaction giving rise to the conflict. As the court stated in *People v. Sobel* (1974) 40 Cal.App.3d 1046, 1052:

Actual execution of a contract is not the only criteria for application of the statute. 'The instant statutes [section 1090 included] are concerned with any interest ... which would prevent the officials involved from exercising absolute loyalty and undivided allegiance to the best interests of the [public entity] ...' [T]he object ... is to remove or limit the possibility of any personal influence, either directly or indirectly which might bear on an official's decision, as well as to void contracts which are actually obtained through fraud or dishonest conduct ..."(Id. at p. 1052.)

The mere exertion of influence is sufficient to trigger applicability of the conflict of interest laws. (*People v. Vallerga* (1977) 67 Cal.App.3d 847, 868 (n. 5) ["The purpose of the prohibition is to prevent a situation where a public official would stand to gain or lose something with respect to the making of a contract over which in his official capacity he could exercise some influence."] The law applies "to

matter whether [the public official] actually participated personally in the execution of the questioned contract." (*Sobel, supra*, at p. 1052.)

In addition to expressly incorporating the terms of the Political Reform Act (as mentioned above), the AIMS conflict of interest policy states that all AIMS "elected officials, designated employees of state appointees, make decisions for the benefit of the community, not for their own enrichment." The policy requires that elected officials and designated employees determine whether a conflict of interest exists, disclose such a conflict, and recuse themselves from deliberation and voting over a matter in which the conflict exists. (AIMS' Response, Binder 3 Chart, 5; 159-161.)

b. Relevant Provisions of AIMS Charters

The AIMS charters establish that its Board's duties include the following:

- Approving and monitoring the school budget, fiscal reports, and the School's fiscal practices;
- Approving all contracts and expenses;
- Approving and monitoring the school's facility arrangement and plans. (AIPCS Charter, Governance (Section IV), pp. 32-33 (0053-0104); AIPCS II Charter, Governance (Section IV), pp. 31-32 (0105-0157); AIPHS Charter, Governance (Section IV), pp. 30-31) (0001-0052).)

2. AIMS' Primary Responses and Remedies:

AIMS' response to the conflict of interest violations stated in the Notice of Violation consisted of the following points:

- The AIMS board approved the contracts with the founder's companies in compliance with the law and its own policies.
- The AIMS Board knew of the founder's Interests in these contracts, which were disclosed on his FPPC Form 700, and approved the contracts with such knowledge.

- AIMS received favorable terms from founder's companies over other potential vendors.
- The founder made donations and returned salary to AIMS (approximately \$330,000 identified).
- The FCMAT report overstated the amount paid to the founder and his spouse under the interested contracts by approximately \$781,649, if the "favorable terms" and donations are treated as an offset.
- AIMS did not develop a new conflict of interest policy, but has adopted a new conflict of interest form, as well as a manual for new Board members, who are required to sign an affidavit confirming receipt. (AIMS Response, Binder 3 Chart.)

3. **District Summary Evaluation of AIMS' Response and Remedy – Conflict of Interest:**

AIMS' response is insufficient to remedy the conflict of interest violations in the NOV. AIMS' response does not acknowledge that the contracts with the founder's companies violated the conflict of interest laws cited above. AIMS' primary explanations – that its Board members were aware of the founder's interests, that AIMS received better terms from the founder's companies, that the founder returned funds to AIMS in the form of donations – are not supported by documentation, and do not constitute a legal justification for the conflict of interest violations.

The regulations implementing the Political Reform Act contain an eight-step test to determine whether a conflict of interest exists. As is shown below, all eight steps apply to the founder's contracts with AIMS. Thus, the contracts violate the Political Reform Act.

Notice of Intent to Revoke

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Step	Criteria	Application
1:	Is a "public official" involved?	Yes: The founder was director of AIMS schools, and a board member briefly. ⁵
2:	Is the public official making, participating in making, or influencing or attempting to influence a governmental decision?	Yes: The founder wrote checks from AIMS bank accounts to his own companies.
3:	Does the public official have an "economic interest" involved in the decision?	Yes: AIMS funds were paid directly to founder's companies.
4:	Are the public official's economic interests directly or indirectly involved in the decision?	Yes: The Founder directly benefited from contracts.
5:	What materiality standard applies?	Yes: The founder's financial interest was material.
6:	Are public official's economic interests materially affected by the decision? Are they important enough to trigger a conflict as defined by the Political Reform Act?	Yes. The founder was directly paid through the contracts.
7:	Does the "Public Generally" exception apply?	No. The founder and his spouse were the sole parties receiving payment from AIMS under these contracts.
8:	Is the public official's participation legally required?	No. No steps were taken to recuse or abstain. In fact, the founder wrote checks to himself.

Likewise, under Government Code Section 1090, the founder received approximately \$3.8 million in public funding under the contracts, and the value of most of the contracts were in the six figures. Therefore, none of the exceptions to

⁵See, Government Code Section 82048 (including employees under the Political Reform Act); *Wilson v. State Board of Education* (1999) 75 Cal.App.4th 1125 (charter school officials are public officials); FPPC Advice Letter 98-234(Charter School Officials subject to Political Reform Act.)

Government Code Section 1090 apply – the founder’s interest is neither a “remote interest” or “non-interest” under the statute. Under Government Code Section 1090, the AIMS Board was prohibited from entering any of the contracts with the founder’s companies at all.

AIMS’ defenses to the conflict of interest allegations were considered. As is discussed below, none of these explanations provides a defense to the conflict of interest violations.

a. Violation of Board Policies:

AIMS incorrectly claims that the founder followed applicable law and AIMS Board policy in entering the contracts with his companies. AIMS’ Conflict of Interest policy states that all AIMS “elected officials, designated employees of state appointees, make decisions for the benefit of the community, not for their own enrichment.” (AIMS Conflict of Interest Policy, p. 1, 0158.) The policy requires that elected officials and designated employees determine whether a conflict of interest exists, disclose such a conflict, and recuse themselves from deliberation and voting over a matter in which the conflict exists. The policy also contains the following provision:

If the AIM-Schools Governance Board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the member’s response and after making further investigation as warranted by the circumstances, the Governance Board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action. (AIMS Conflict of Interest Policy, p. 2) (0158-0161)

There is no evidence that the founder took any of the necessary steps to disclose the conflict or abstain from any involvement in the AIMS Board's approval of the contract with his companies. Moreover, AIMS Board members Amy Cai, Rose Lee and Sylvia Thomas signed a statement attesting that they were aware of the founder's interest. (See, Exhibit REV-A.) AIMS provides no evidence to demonstrate that these Board members took the required steps of informing the founder of his conflict of interest, despite their knowledge of such conflicts. Moreover, not only did the founder fail to abstain from any involvement with the contracts with ADS, he in fact took an active part in implementing the contract, writing checks from the AIMS bank account to ADS. Given his ownership interest in ADS, the founder essentially wrote checks to himself. (See, e.g., Cal. Admin. Code tit. 2, §18702.3; see Exhibit REV-B.) In so doing, the founder violated Cal. Admin. Code tit. 2, §18700's directive that "[n]o public official at any level of state or local government may make, participate in making or in any way use or attempt to use his/her official position to influence a governmental decision in which he/she knows or has reason to know he/she has a disqualifying conflict of interest."

AIMS has not implemented any meaningful institutional reform to address the conflict of interest issues. It retains the same two-page conflict of interest policy that it maintained prior to the issuance of the NOV. The only new procedure related to conflicts of interest is a one-page disclosure form for Board members. (AIMS Response, Binder 3 Chart.) While the various incarnations of the AIMS Board underwent three to four board trainings, there is nothing in the AIMS' response that commits to any ongoing training, permanent institutional reforms, or enhanced awareness of conflict of interest issues. Therefore, AIMS has not remedied the violations with respect to its conflict of interest violations.

b. AIMS' Board Awareness

In their written statement, former AIMS Board members Amy Cai, Rose Lee and Sylvia Thomas, claim to have approved the ADS contract at the January 20, 2006 Board meeting and the Lumbee contract at the March 15, 2007 meeting with full knowledge of the founder's financial interests. However, the AIMS Board agendas and minutes for those meetings do not support this claim. Neither the agendas nor the minutes make any reference to either contract. Moreover, the minutes do not reflect that these three Board members were even in attendance at those meetings. (See, Exhibit REV-A, attached hereto.) Mere awareness of the founder's interests by the AIMS Board members does not cure the conflict of interest violations.

c. Favorable Terms

AIMS further claims that, in some cases, the founder's companies provided more favorable contract terms than other entities. However, with respect to the rental payments—which constitute the bulk of the improper payments to its founder—AIMS bases this defense on erroneous information.

AIMS claims to be paying less under its current leases than it would be paying for District facilities. For the period from June 1, 2009 through December 31, 2011, AIMS alleges that it would have paid \$4,875,000 per year for District facilities, and that, in contrast, it only pays \$2,072,177 to its founder (using the incorrect figure of \$2.50 per square foot monthly for 65,000 square feet). AIMS' erroneous calculation is shown on Chart A, below:

CHART A: CALCULATION OF AIMS INCORRECT FACILITIES CHARGE				
Lessor	Square Footage	Cost psf	Monthly Charge	Annual Charge
OUSD	65,000	\$2.50	\$162,000	\$1,950,000.00
Founder	65,000	\$1.089	\$70,844.35	\$ 850,132.20

OUSD Charge: 6/1/09-12/31/11	\$4,875,000
ADS/Lumbee Charge 6/1/09-12/31/11	\$2,072,177

(AIMS Response, Binder 2 Chart, p. 17)

AIMS is incorrect. AIMS alleges that the District charges \$2.50 per square foot *per month*. In fact, the District charges \$2.50 per square foot *per year*.

Chart B below shows the actual difference between what the District would have charged, and what the founder charged, during the same time period:

CHART B: CALCULATION OF CORRECT FACILITIES CHARGE				
Lessor	Square Footage	Cost psf	Monthly Charge	Annual Charge
OUSD	65,000	\$2.50 (annual)	\$13,500.00	\$ 162,000.00
Founder	65,000	\$1.089 (monthly)	\$70,844.35	\$ 850,132.20

Correct OUSD Charge: 6/1/09-12/31/11	\$ 405,000.00
ADS/Lumbee Charge 6/1/09-12/31/11	\$ 2,072,177.00

A charter school occupying 65,000 square feet of District facilities would pay \$162,500 annually under the \$2.50 annual per square foot rate, not \$1,950,000, as alleged by AIMS. AIMS claimed to be saving \$1,099,867.80 a year by leasing space from the founder as opposed to obtaining District facilities; it is in fact paying \$688,132.20 more annually.

AIMS paid far more to its founder than it would have paid if the District had been its landlord. Instead of "saving" California taxpayers \$2,802,824, as alleged by AIMS (AIMS Response, Binder 2 Chart, p. 17), AIMS actually paid \$1,667,177 more than it otherwise would have paid over a two-and-a-half year period ending in 2011.

d. The Founder's Donations

Finally, AIMS claims FCMAT's calculation of the public funds paid to the founder and his spouse should be offset by various charitable transactions such as donations given by the founder back to AIMS. Here, AIMS estimates the founder's total donations to be approximately \$781,649. Thus, AIMS encourages the District to subtract that amount from the total earnings the founder received from the charter school organization.

As a threshold matter, even if the District were to subtract these donations, the founder's financial benefit still amounts to approximately \$2.9 million. More importantly, however, the laws that protect against conflicts of interest do not include an exception whereby the benefiting parties can absolve themselves of a violation through returning a portion of the funds. Thus, AIMS' response still fails to excuse the underlying conflict of interest violations.

B. Absence of Financial and Operational Controls: Fiscal Mismanagement

1. Inappropriate Credit Card Expenditures

AIMS' financial records show a significant number of credit card transactions that appeared to be unrelated to the conduct of school business and therefore inappropriate. (0975-0976.) AIMS' response provides purported documentation and explanations for many of these transactions. (AIMS Response, Binder 5.) AIMS' response demonstrates that the founder used school funds for at least two trips to the East Coast for purposes that were only marginally related to the conduct of the school's business. The numerous expenses for meals and entertainment also

indicate the lack of well-defined policies and procedures for ensuring proper use of credit cards.

2. Real Estate Escrow Account

AIMS lost \$30,000 when it only recovered \$160,000 of a \$190,000 escrow deposit in connection with a real estate transaction between Lumbee Holdings and AIMS involving the property at 3050 International Boulevard, Oakland, CA. (0976-0977.) AIMS claims that, upon approval of the AIPCS charter, the AIMS Board agreed to “contribute” \$190,000 to Lumbee Holdings towards purchase of a future school site. Lumbee signed an agreement for the purchase of 3050 International Boulevard, Oakland, but terminated the contract when the value of the property fell. The seller retained \$30,000 of the deposit from AIMS as nonrefundable. (AIMS Response, Bonder 5 Chart, pp. 18-19.)

AIMS’ Response and Remedy:

AIMS claims that Lumbee terminated the real estate transaction when the value of the property declined. AIMS does not attempt to justify the loss, but claims that the revenue was offset through payments under a lease for parking space with Family Bridge. (AIMS Response, Binder 5; Binder 6, Doc. C03.1-EX.)

District Evaluation of AIMS’ Response and Remedy:

AIMS fails to address the lack of fiscal control that led to the unnecessary loss of \$30,000 due to an aborted real estate transaction. The fact that AIMS believed that the lost revenue was compensated by other revenue does not address the core operational deficiency that allowed such a transaction to take place in the first place.

Moreover, the AIMS Board minutes do not support the contention that the Board approved the “contribution” to Lumbee.

3. Checking Accounts

The large number of expenses paid directly to the founder and his spouse (by checks often signed by one of them) demonstrates the lack of fiscal oversight. (AIPCS General Ledger for 2009-2010, 2010-2011 and 2011-2012 (0280-0456).)

AIMS’ Response and Remedy:

AIMS states that the founder and his spouse no longer have authority to sign checks on behalf of AIMS. AIMS revised its Financial Procedures and Policies, which now limit check-signing power to the Board President, Board Secretary and Director.

District Evaluation of AIMS’ Response and Remedy:

While some of these measures are appropriate responses to the prior instances of fiscal mismanagement, the reform of AIMS’ fiscal practices are not extensive enough in light of the severity of the prior instances of mismanagement.

4. Violation of ASES Grant Terms

AIMS had received an After School Education and Safety Program (ASES) grant to operate after-school programs offering tutoring, homework assistance and educational enrichment for students in grades K-9. (California Department of Education, After School Education and Safety Program, p. 9 (0496-0518).)

AIMS failed to meet the ASES grant terms in the following manner:

- Failed to maintain the after school program for 15 hours a week, and up to 6 p.m. every school day. AIMS ended the after school program at 4 p.m. on Fridays, and only offered it for 13 hours and 40 minutes a week (0964-0968);
- Failed to provide a nutritious snack to students, as required by the grant terms (0964-0968);
- Improperly charged to ASES funds for an after-school program, Tech Bridge, that pre-dated the terms of the ASES grant (AIPCS/ASES Bank Statements (0525-0530); December 17, 2009 Board Minutes (0531-0536); (0964-0968));
- Exceeded the 15% threshold for administrative funds. (2010-2011 Memorandum of Agreement between AIPCS II and East Oakland Leadership Academy (EOLA) (showing payment of \$93,000 to AIPCS II (0537-0540); 2010-2011 Memorandum of Agreement between AIPCS II and Conservatory of Vocal/Instrumental Arts (COVA) (showing payment of \$105,000 to AIPCS II) (0541-0544; 0964-0968));

AIMS' violation of the ASES grant terms further demonstrates lack of fiscal control by the AIMS Board. As a consequence of these violations, the California Department of Education terminated the ASES grants for AIPCS and AIPCS II effective July 1, 2012. (0587-0588.)

AIMS' Response and Remedy:

AIMS claimed that it rectified the administrative funds threshold violation by reimbursing \$34,500 to EOLA and \$6,750 to COVA. It concedes that the TechBridge expenditure was inappropriate. AIMS notes that the CDE has terminated AIMS' funding, though such termination does not constitute a remedy to AIMS' violations.

District Evaluation of AIMS' Response and Remedy:

AIMS points to retroactive action (the reimbursement) without identifying any new procedures that would act as a prospective remedy. AIMS has failed to identify any training or protocols that would ensure future compliance with grant terms and other funding conditions.

5. Violation of Generally Accepted Accounting Principles (GAAP)

AIMS failed to comply with the principle of full disclosure, which directs organizations to disclose information and events that are likely to have a material impact on the organization's financial position or results. Examples include disclosure of related party transactions, material losses and potential liabilities. AIMS violated the full disclosure principle in several ways, discussed above and in the FCMAT report:

- Failure to disclose conflicts of interest with respect to major transactions with the founder, his spouse, and others.
- Failure to disclose losses, such as the loss of deposit in the escrow account for an undisclosed real estate transaction.
- Incomplete and erroneous IRS Form 990s.
- AIMS' financial practices also violated the principle of reliability by recording transactions for which there was insufficient objective evidence. Examples include:
 - Absence of contract documentation and Board approval on large payments for construction.
 - Payments made for personal expenses on credit cards without evidence of approval or business purpose.
 - AIMS was unable to provide evidence of significant changes in its financial

management practices to establish its compliance with GAAP when requested by OCS.

Under Education Code §47607(c)(3), a charter school's failure to meet generally accepted accounting principles constitutes a valid basis for revocation of the charter.

AIMS' Response and Remedy:

AIMS defends its fiscal practices, citing its audits. It claims that proper disclosures of financial interests were made, and that its financial and credit card transactions were properly documented, citing the same facts and circumstances discussed in response to the allegations related to the lack of fiscal control and conflict of interest.

District Evaluation of AIMS' Response and Remedy:

The allegations that AIMS violated GAAP are cumulative of the allegations that it violated the law and its charter through its fiscal, operational and governance practices. Examples include:

- Failure to Document Transactions: The alleged Board approval of contracts with ADS and Lumbee in 2006 and 2007 are not reflected in by Board minutes. (Exhibit REV-A.)
- The real estate transaction resulting in the loss of the \$30,000 escrow payments was not supported by documentary evidence of Board approval. (Exhibit REV-C.)
- No documentation demonstrating contemporaneous disclosure of the founder's financial interests.

To the extent that AIMS has failed to remedy those violations, it has failed to remedy the failure to follow GAAP as well.

District Summary Evaluation of AIMS' Response and Remedy: Lack of Financial and Operational Control

In summary, AIMS has taken some steps towards addressing the fiscal mismanagement identified in the NOV. For example, AIMS revised its fiscal policy in November 2012, and also hired a new Financial Administrator and other personnel in the areas of fiscal management. It also has created a three-person Financial Specialist Committee to oversee its financial affairs. AIMS has also retained Vavrinek, Trine & Day LLP as auditors, and had its Financial Administrator provide a financial update at each meeting of the AIMS Board.

Nevertheless, these steps do not constitute the required overhaul of institutional processes and personnel to show that the organization has truly reformed its fiscal practices. AIMS has not made any significant changes to its fiscal policies, nor has it engaged the expertise of any external, impartial organization with specific knowledge of public school financial practices to evaluate its organization's fiscal practices.⁶ It has not identified or pursued any disgorgement measures to recover any of the funds from interested contracts from the founder or his spouse. Therefore, AIMS has not remedied the fiscal mismanagement asserted in the NOV.

C. Other Conflict of Interest Violations

1. IRC 501(C)(3) Violations

⁶ The District notes that the new administrative personnel in fiscal services, and the members of the Financial Services Committee, while having background in the private sector, do not have significant experience in public school finances.

a. **Failure to Disclose Excess Benefit Transactions with Disqualified Persons on Form 990 (Chavis, Amador, Larry Martinez)**

The 2007-2009 Form 990s for AIPCS, AIPCS II and AIPHS fail to disclose any of the AIMS leases, construction contracts with Lumbee Holdings and ADS and administrative services agreements with A & A Business Solutions, LLC and AAFS in which the founder or his spouse had a financial interest. AIMS also failed to disclose the founder's interest in OASES, and failed to disclose Martinez's interest in SAIL. (AIPCS, AIPCS II and AIPHS IRS Form 990, Tax Year 2007-2009 (0596-0691).)

AIMS' Response and Remedy:

AIMS contends that this violation was not detected by its financial auditors and therefore did not constitute a violation.

District Evaluation of AIMS' Response and Remedy:

This response does not address the underlying failure to disclose information in the Form 990s. There is no indication that review of IRS Form 990 fell within the scope of the audit. AIMS fails to address this allegation on the merits, and has not refuted the allegation that it violated Internal Revenue Code §4958.

b. **Failure to Report Donor Advised Funds or Grants and Other Assistance on Form 990**

None of the AIMS Form 990s report as a Sponsoring Organization of Donor Advised Funds for scholarships paid in connection with the SAIL program, as is required under Internal Revenue Code §4966(d)(1). (AIPCS, AIPCS II and AIPHS IRS Form 990, Tax Year 2007-2009 (0596-0691; 0968-0970).)

AIMS' Response and Remedy:

AIMS contends that this violation was not detected by its financial auditors.

District Evaluation of AIMS' Response and Remedy:

This response does not address the underlying failure to report information. There is no indication that review of IRS Form 990 fell within the scope of the audit. AIMS also fails to address this allegation on the merits, and has not refuted the allegation that it violated Internal Revenue Code §4966(d)(1).

The District's Overall Evaluation of AIMS' Response and Remedy Other Conflict of Interest Violations

AIMS has not remedied the additional conflict of interest violations identified in this section. It does not address the failure to disclose in its IRS Form 990s, other than to claim that its auditors did not catch this deficiency. The District concludes that AIMS has violated Internal Revenue Code Sections 4958 and 4966(d)(1).

AIMS has not implemented any meaningful institutional reform to address the conflict of interest issues. It retains the same two-page conflict of interest policy that it maintained prior to the issuance of the NOV. The only new procedure related to conflicts of interest is a one-page disclosure form for Board members. While the various incarnations of the AIMS Board underwent three to four Board trainings, there is nothing in the AIMS' response that commits to any ongoing training, permanent institutional reforms, or enhanced awareness of conflict of interest issues. Therefore, AIMS has not remedied the violations with respect to its conflict of interest violations.

D. Failure to Create an Adequate Record of its Transactions: The Agendas and Minutes of the AIMS Board Contain Inadequate Agenda Descriptions and Violate the Brown Act

One of the significant deficiencies in the AIMS Board's performance is the failure to maintain adequate documentation of its actions, as set forth below.

AIMS' Response and Remedy:

AIMS acknowledges that some of its Board agenda and minute descriptions are vague, but denies that the Brown Act requires such a level of specificity, or requires the maintenance of minutes at all. It also has begun using a template Board agenda provided by one of its former attorneys.

District Evaluation of AIMS' Response and Remedy:

The AIMS Board agendas and minutes have become more Brown-Act compliant since it consulted with its former attorneys as to Brown Act compliance. However, AIMS must strive for a higher threshold for reliability in its Board agendas and minutes. For example, as of January 18, 2013, the minutes for the November 13 and 15, 2012 meetings have not been posted, and the minutes for the September 26, 2012 meeting are not available.

E. Violations by AIMS Board

- 1. High Board Turnover/Failure to Elect Board Members in Compliance with Bylaws/Lack of Community Involvement in Election of Officers**

The AIMS charters incorporate by reference the corporate bylaws governing the AIMS Board. (AIPCS Charter, Governance (Section IV), pp. 32-33; AIPCS II Charter, Governance (Section IV), pp. 31-32; AIPHS Charter, Governance (Section IV), pp. 30-31.) The AIMS Board experienced turnover in several seats during 2011 and 2012. (AIMS Board Member Lists) (0820-0825).

The Board voted 3-1 to remove members Mike Stember and Chris Rodriguez. Mr. Rodriguez was not permitted by the Board president to speak about the motion to remove him. The remaining Board members voted 3-0 to appoint Nedir Bey and Ronald Grant to the Board.

AIMS' Response and Remedy:

AIMS acknowledges the turnover in its Board but states that the Board has selected 6 new members and has stabilized.

District Evaluation of AIMS' Response and Remedy:

The District has continuing concerns about board practices and turnover. The removal of Messrs. Stember and Rodriguez from the Board, without explanation and without providing the departing members with the opportunity to address the Board, suggests that the Board lacks democratic procedures for election of its members. There is also no indication that any of the Board members were involved in the response to the NOV, and action on AIMS response does not appear in any of its agendas or minutes.

2. Other Irregularities in Governing Board Procedures

District Evaluation of AIMS' Response and Remedy:

AIMS' response states that the Board had undergone three to four board trainings, and that Board members will be provided a Board member manual for their ongoing reference. However, only a copy of the Table of Contents of the board manual was attached to the AIMS Response, even though the agenda on the AIMS website shows that the manual was agendized for approval at the November 13, 2012 meeting. (The minutes for that meeting had not yet been approved or posted on the website as of January 14 , 2013.) The AIMS Board has also hired an administrative assistance.

The AIMS Board appears to have addressed some fundamental practices related to Board practices and norms, and the Board has avoided significant turnover since the end of the remedy period.

F. Violations Not Incorporated Into Notice of Intent to Revoke:

Based on AIMS' response, the following violations alleged in the Notice of Violation do not form the basis of this Notice of Intent to Revoke:

- Attendance Record Forgery
- Credentialing/Staffing
- Certificate of Occupancy
- Gift of Public Funds/Inappropriate Use of Public Funds: Arizona Charter Startup
- Failure to Report Donor Advised Funds or Grants and Other Assistance on Form 990
- Failure to File Form 700 with FPPC
- Discriminatory Enrollment Practices
- Absent/Incomplete Board Minutes
- Failure to Involve Parents in School Governance/Failure to Convene Family Advisory Committee

V. EVALUATION OF AIMS' REMEDY:

The NOV identified a number of areas in which AIMS was directed to provide a remedy to the violations set forth in the NOV, including but not limited to the following:

- Management of the AIMS organization to ensure compliance with applicable legal requirements;
- Changes to structure and operation of AIMS Board to ensure greater fiscal and operational control;
- Identification of responsible agent for AIMS fiscal operations;
- Institution of conflict of interest enforcement procedures;
- Appropriate separation of founder and spouse from all aspects of AIMS operations.

A. Management of AIMS Organizations and Identification of Responsible Agent for AIMS Fiscal Operations:

As has been noted in the Notice of Intent to Revoke, AIMS has introduced new personnel, both to its Board, as well as to its financial team. However, what is lacking in AIMS' response is the introduction of any significant integration, on an institutional level, of depth and expertise in public school finance. The new personnel brought in to manage the day-to-day financial affairs of the school have more experience in the private sector than the public sector. AIMS, on the one hand, contends that the organization has \$1 million in reserves and is well-run, and on the other hand, claims that it is unwilling to pay a charter management organization or other organization specializing in charter school finance and management to reform the organization's financial practices. However, with its charters at stake, AIMS' refusal to engage external and objective expertise in the areas of everyday fiscal management, even on an interim basis in light of the revocation proceedings against it, represents its lack of commitment to institutional reform.

B. Changes to structure and operation of AIMS Board to ensure greater fiscal and operational control; Institution of conflict of interest enforcement procedures:

The changes made to AIMS Board operations and structure were minimal and cosmetic in nature. The AIMS Board did receive some training, but no ongoing or permanent board training program was referenced in AIMS' response. Moreover, the most significant development, the new Board manual, was not included in the AIMS response. Only the table of contents was included.

Perhaps the strongest indication that AIMS did not take seriously the conflict of interest violations in the NOV – aside from the denial by AIMS that any wrongdoing occurred – was the lack of any significant measures to ensure that such violations did not reoccur. AIMS retained the same two-page conflict of interest policy that existed before the NOV, and the only significant procedure instituted was a one-page disclosure form. AIMS' response lacks any structural or institutional change to board practices that are specifically targeted towards preventing the future violation of conflict of interest laws.

C. Appropriate separation of founder and spouse from all aspects of AIMS operations.

Perhaps the most egregious omission in AIMS' response was the lack of any direct and explicit statement with respect to clarifying the standing of the founder, Ben Chavis, and his spouse, with respect to the AIMS organization. In one section of the response, AIMS states that "AIMS Schools cannot control what he says." (AIMS response, Binder 10 Chart, p. 2.) Although called out in the NOV as one of the most important points for AIMS to address in its response, AIMS' response essentially ignores this issue. However, the continuation of the AIMS charter in good standing

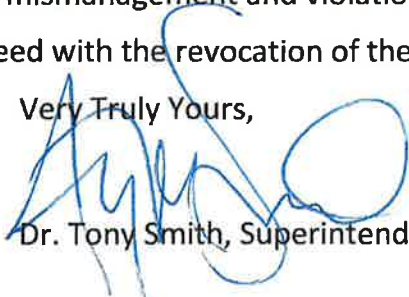
cannot occur without AIMS explicitly addressing this issue to the satisfaction of the District.

VI. CONCLUSION:

AIMS' response consisted of 13 binders of documents, and eight charts, setting forth each violation of the NOV, and AIMS' response and proposed remedy in connection with each violation. However, the quantity of the response bore little relationship to its quality or substance. Many of the documents were redundant, as were many of AIMS' responses, and proposed remedies in the eight sets of charts that were provided. While AIMS' response contained a great deal in terms of volume, it lacked corresponding substance in terms of understanding the gravity of the organization's institutional shortcomings, and the steps needed to remedy those shortcomings.

The District has considered the academic achievement of the AIMS program and considers AIMS' academic record as the paramount factor to consider during the revocation process. Despite the schools' academic success, the egregiousness of the conflict of interest violations and the institutional indifference of the AIMS Board to following conflict of interest laws outweighs the school's academic performance. Charter school law imposes upon the District a weighty obligation to safeguard the proper use of public funds, giving the District the right to initiate revocation proceedings based upon fiscal mismanagement and violation of law. For these reasons, the District must proceed with the revocation of the AIMS charter.

Very Truly Yours,



Dr. Tony Smith, Superintendent

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Cc: Jacqueline Minor, OUSD General Counsel
John Yeh, Burke, Williams & Sorensen, LLP, Counsel to OUSD

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There are no pages 36 and 37

EXHIBIT REV-A



American Indian Model Schools

171 12th Street Oakland, CA 94607

We were board members of the American Indian Model Schools Board when the AIM Schools board approved the following:

The American Delivery Systems (ADS) construction proposal in January 20, 2006 and the Lumbee Properties, LLC construction proposal at the March 15, 2007 AIM Schools Board meeting.

We were aware that Dr. Ben Chavis was the owner of American Delivery Systems (ADS) and Lumbee Properties, LLC and married to Mrs. Marsha Amador. They also completed Form 700s which listed their various businesses.

We saved AIM Schools money by contracting ADS and Lumbee Holdings, LLC over the other bidders (see attached bids).

(1) Troy Bally and M TC Construction bids.....	\$573,900
(2) ADS and Lumbee Properties charge.....	- \$310,500
(3) AIM Schools' total construction savings.....	\$263,400

(1) EdTec's cost per year.....	\$637,500
(2) AAFS's cost per year.....	- \$162,000
(3) AIM Schools Board saved California taxpayers each year.....	\$475,500

The role of school board members is to work in the best interest of the school, employees, and families. We saved AIM Schools \$738,900 by working with Dr. Chavis and Mrs. Amador. This does not include the \$200,000 he donated back to AIM Schools from Lumbee Holdings, LLC. This in turn allowed us, as a board, to spend more money on AIM Schools' students.

Amy Cai
Mrs. Amy Cai, Signature

10-1-12
Date

Rose H. Lee
Ms. Rose H. Lee, Signature

11-25-12
Date

S 2
Ms. Sylvia Thomas, Signature

10-15-12
Date

**American Indian Public Charter School
3637 Magee Ave. Oakland, CA 94619
(510) 482-6000**

**Board Meeting
January 20, 2006
7:00 p.m.**

Agenda

- I. Call to Order**
- II. Approval of Minutes**
- III. Public Comment or Announcements**
- IV. Director's Report**
 - a. Blue Ribbon School.
 - b. Students taking SAT.
 - c. Title I School.
- V. Unfinished Business**
 - a. High School charter submitted to OUSD.
- VI. New Business**

None.
- VII. Action Items**
 - a. Budget for 2006-2007.
- VIII. Adjournment**

**American Indian Public Charter School
3637 Magee Ave. Oakland, CA 94619
(510) 482-6000**

**Board Meeting
January 20, 2006
7:00 p.m.**

Minutes

**Members Present: Lee, Martinez, Hanson
Guest: Mr. Ruper Lupe, Ms. Glover**

- I. Quorum established and meeting is called to order at 7:03 p.m.
- II. **Approval of Minutes:**
Mr. Martinez motioned to approve the minutes. It was seconded by Mr. Hanson.
- III. **Public Comment or Announcements:**
Pastor Mila of the Tongan Church said he wanted to thank AIPCS for helping start a new day care at the church.
- IV. **Director's Report**
 - a. The director state AIPCS has been nominated a National Blue Ribbon School.
 - b. About 40 students will be taking the SAT this month.
 - c. AIPCS has won the Title 1 Academic Award again.
- V. **Unfinished Business**
 - a. High School charter was submitted to OUSD. It will take about 60 days for the process to be complete.
- VI. **New Business**
None.
- VII. **Action Items**
 - a. The board voted unanimously to approve budget for 2006-2007 for AIPCS. The school has about 20% reserve of cash.
- VIII. **Adjournment**
Meeting ended at 8:04 p.m.

**American Indian Public Charter School
3637 Magee Ave. Oakland, CA 94619
(510) 482-6000**

**Board Meeting
March 15, 2007
12:00 p.m.**

Agenda

I. Call to Order

II. Approval of Minutes

III. Public Comment or Announcements

IV. Director's Report

V. Unfinished Business

- a. New Site Administrator for High School
- b. Carey Blakely will return to San Diego in September.

VI. New Business

- a. President Lee's term ends in June
- b. Change meetings back to 7:00 p.m.
- c. Recruit former student to board
- d. Secure lease for new middle school with Moyer Reality
- e. Recruit new director for AIPCS.

VII. Action Items

- a. Contract for 171 12th Street
- b. Recruit new director for AIPCS
- c. Approve new 6th grade teacher
- d. Change board meeting to 7:00 p.m.

VIII. Adjournment

**American Indian Public Charter School
3637 Magee Ave. Oakland, CA 94619
(510) 482-6000**

BOARD MEETING

March 15, 2007

12:00 p.m.

Minutes

**Members Present: Atiba Thomas, Rose Lee, Evelia Lopez, Clark Amador
Guests: Amy Cai (Parent), Janet Shewmon (Teacher)**

- I. Quorum established, meeting called to order at 12:06 am.
- II. Members reviewed minutes. Mr. Amador motioned to approve minutes from the December 21, 2007 meeting, seconded by Ms. Lopez. Minutes approved unanimously.
- III. **Announcements**
 - a. State testing will begin on Monday April 24 - May 3, 2007. We will once again be testing on Tuesdays – Thursdays.
 - b. AIPCS II charter was approved by OUSD State Administrator
- IV. **Reports**
 - Director's Report**
 1. Over 60 AIPCS students qualified for the CTY program.
 2. 30 7th graders will be attending Merritt College Summer Math Program.
 3. Dr. Chavis expects students to score above 950 on the API this year based on his class observations.
 4. 8th grade students field trip to Washington D.C. planning is under way. Have secured the rooms, and flights.
 5. Graduation is set for Friday June 5th @ 6 p.m..
 6. Graduation keynote is selected. Jeanne Allen, the president of The Center for Education Reform, will be the keynote speaker.
 - Finance**
 1. Dr. Chavis notes that the AIPCS budget has a 20% reserve.
 2. A copy of the school budget was passed to board members.
- V. **Unfinished Business**
 - a. Ms. Carey Blakely, will resign as Site Coordinator because she is returning to San Diego.
 - b. Mr. Berniker was recommended as the new Site Coordinator for American Indian Public High School for 2007-2008. Dr. Chavis said Ms. Carey has done a great job.
- VI. **New Business**
 - a. Board President- Ms. Rose Lee has stated that this will be her 2nd last meeting as member of AIPCS Governance Board. She will continue working with us until June 21, 2007.

- b. Ms. Lopcz suggested the board meetings be moved back to 7:00 p.m.
- c. Mrs. Rose noted that we should get Nathan Robles, former student who is in college to serve on the board. Nathan Robles was the 1st CTY/JHU student and is enrolled in college.
- d. Ms. Thomas noted that the board needs to secure a lease at 171 12th Street, Oakland, CA for the new American Indian Public Charter School II.
- e. Dr. Chavis has noted that he will work part-time next year 2007-2008 and will continue to donate his salary to the school for student's perfect attendance, field trips, bus passes, etc. This will also be his last year as the director of American Indian Public Charter School.

VII. Action Items

- a. Board unanimously approves signing a lease with Moyer Reality for AIPCS II at 171 12th Street.
- b. The board voted unanimously to begin a search for a new director for American Indian Public Charter School for 2008-2009 school year.
- c. Board voted unanimously to hire Ms. Ramamoorthy as a 6th grade teacher
- d. Board voted unanimously to move board meeting back to 7:00 p.m. beginning June 21, 2007.

VIII. Adjournment

Meeting is adjourned at 1:24p.m.

Notice of Intent to Revoke
January 24, 2013
Page 39 of 40

EXHIBIT REV-B

American Delivery Systems

3801 Mountain Blvd., Oakland, CA 94619

Phone (848) 203-4466

PROPOSAL

Project: American Indian Public Charter School
3637 Magee Avenue
Oakland, CA 94619

This is an outline of proposed work for AIPCS. The work will focus on the Mandarin class, downstairs boys bathroom and both upstairs bathrooms.

1. Upstairs girls and boys bathroom will be commercial toilets, energy efficient faucets, paint walls and replace wooden floor and tile as needed.-----\$31,000.00
2. Update bathroom in Mandarin class, install water fountain, repair walls, replace floor, and repaint walls.-----\$46,000.00
3. Downstairs boys bathroom will be replaced with commercial toilets, energy efficient faucets, paint walls, and floor a red commercial paint-----\$38,000.00

The work will be done during a time not to interfere with classroom instruction.

Proposed by:

Approved by:

Ben Chavis 6-22-2006
ADS, Dr. Ben Chavis Date

Rosette Lee 6-22-06
Ms. Rose Lee, Date
AIPCS Acting Chair

Amy Cai 6-22-06
Mrs. Amy Cai, Date
AIPCS Board Member

ADS

3801 Mountain Blvd., Oakland CA 94619
848-203-4466

STATEMENT

DATE: 8/15/07

American Indian Public Charter School
3637 Magee Avenue
Oakland, CA 94619
(510)482-6000

Date

7/8/07

Description

Remodel upstairs bathrooms to meet ADA & Commercial standards.
"Turn Key Upgrade".

\$31,000.00

A FINANCE CHARGE of 2% per month will be charged on balances over 30 days. In the event this account is placed in the hands of a collection agency or an attorney for collection, the debtor obligates himself to pay collection fees and an attorney fee plus expenses.

471



**AMERICAN INDIAN
PUBLIC CHARTER SCHOOL**

3637 MAGEE AVENUE
OAKLAND, CA 94619
(510) 482-6000

COMMUNITY BANK OF THE BAY
OAKLAND, CA 94612
90-4240-1211

8/31/2007

↓ TO THE ORDER OF ADS

\$ 31,000.00

Thirty-One Thousand and 00/100

DOLLAR

ADS

[Handwritten signature]

MEMO

remodel bathroom



AMERICAN INDIAN PUBLIC CHARTER SCHOOL

476

ADS

8/31/2007

31,000.00

CBOB CHECKING 2 remodel bathroom

31,000.00

AMERICAN INDIAN PUBLIC CHARTER SCHOOL

476

ADS

8/31/2007

31,000.00

CBOB CHECKING 2 remodel bathroom

31,000.00

ADS

3801 Mountain Blvd., Oakland CA 94619
848-203-4466

STATEMENT

DATE: 9/10/07

American Indian Public Charter School
3637 Magee Avenue
Oakland, CA 94619
(510)482-6000

Date

9/1/07

Description

Remodel downstairs bathrooms to meet ADA & Commercial standards.
"Turn Key Upgrade".

\$38,000.00

A FINANCE CHARGE of 2% per month will be charged on balances over 30 days. In the event this account is placed in the hands of a collection agency or an attorney for collection, the debtor obligates himself to pay collection fees and an attorney fee plus expenses.

480



**AMERICAN INDIAN
PUBLIC CHARTER SCHOOL**
3637 MAGEE AVENUE
OAKLAND, CA 94619
(510) 482-6000

COMMUNITY BANK OF THE BAY
OAKLAND, CA 94612
90-4240-1211

9/17/2007

TO THE
ORDER OF

ADS

\$ 38,000.00

Thirty-Eight Thousand and 00/100

DOLLARS

ADS

MEMO

remodeling bathroom downstairs

[Handwritten Signature]



AMERICAN INDIAN PUBLIC CHARTER SCHOOL

480

ADS				9/17/2007	
Date	Type	Reference	Original Amt.	Balance Due	Discount
9/18/2007	Bill		38,000.00	38,000.00	
				Check Amount	
					38,000.00



CBOB CHECKING 2 remodeling bathroom downstairs

38,000.00

AMERICAN INDIAN PUBLIC CHARTER SCHOOL

480

ADS				9/17/2007	
Date	Type	Reference	Original Amt.	Balance Due	Discount
9/18/2007	Bill		38,000.00	38,000.00	
				Check Amount	
					38,000.00



CBOB CHECKING 2 remodeling bathroom downstairs

38,000.00

306

LUMBEE Properties, LLC

171 12th Street, #4
Oakland, CA 94607
Phone (520) 743-0771

PROPOSAL

Project: American Indian Public Charter School II
171 12th Street
Oakland, CA 94607

This is an outline of proposed work for AIPCS II. We will demolish existing walls for classrooms and offices. Remove all demolition material. Repaint walls with white semi-gloss paint. Locate rebar and tension cables embedded in the concrete slab of floor.

- I. Complete new or alternate existing walls with metal studs, sheet rock and smooth texture. Six classrooms will be designed and created to accommodate 20-35 students. The school will be charged for two classes.
 - 1) ----- \$75,000.00
- II. Remove all carpet and padding. Replace with 16x16 tile in six classrooms, two offices and center mixed used space. American Indian symbols will be designed in the floor in each room.
 - 2) ----- \$35,000.00
- III. Girls bathroom will be remodeled to reflect modern design, energy efficient; replace tile on walls, floor, and paint walls.
 - 3) ----- \$38,000.00
- IV. Create at least two rooms that will be used as administrative offices or multi-purpose room.
 - 4) ----- \$47,500.00

Proposed by:

Approved by:

Victor Armstrong 4/2/07
Lumbée Holdings, LLC Date

Rose Hinglee 4-22-07
AIPCS Board member Date

[Signature] 4-2-07
AIPCS Board member Date

Lumbee Holdings, LLC

171 12th Street #4
Oakland, CA 94607
P(520)743-0771

INVOICE

American Indian Public Charter School II
171 12th Street
Oakland, CA 94607
(510)893-8701

Date: 9/7/07

Terms: Due upon Receipt

Date:	CHARGES and DESCRIPTION	BALANCE
9/1/07	Description:	
	<u>171 12th St. Suite #102</u>	
	Remodeling the floors of six classrooms and two offices and	\$35,000.00
	in center area with 16x16 ceramic tile.	
		<u>TOTAL</u>
		\$35,000.00

LUMBEE HOLDINGS, LLC

7



PCS II
12TH STREET
OAKLAND, CA 94607

COMMUNITY BANK OF THE BAY
OAKLAND, CA 94612
90-4240-1211

9/13/2007

ORDER OF

Lumbee Holdings

\$35,000.00

Thirty-Five Thousand and 00/100

DOLLAR

Lumbee Holdings

Sen

MEMO

classrooms remodeling



PCS II

101

Lumbee Holdings

9/13/2007

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
9/13/2007	Bill		35,000.00	35,000.00		35,000.00
				Check Amount		35,000.00

CBOB CHECKING 2 classrooms remodeling

35,000.00

PCS II

101

Lumbee Holdings

9/13/2007

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
9/13/2007	Bill		35,000.00	35,000.00		35,000.00
				Check Amount		35,000.00

CBOB CHECKING 2 classrooms remodeling

35,000.00

EXHIBIT 3



American Indian Model Schools

171 12th Street Oakland, CA 94607

AIM Schools has taken steps to address many of the concerns expressed by Oakland Unified School District (OUSD) Office of Charter Schools. Below is the timeline of events at AIM Schools since January 2012:

1. The January 11, 2012 AIM Schools board minutes documents the founder's resignation from the AIM Schools Board. The January 11, 2012 minutes state "Michael thanked Dr. Chavis who resigned on 12/14/2011. He agreed to work with the board for a little over a month on the renewal process of AIPCS II." (see **Appendix A page 1, 01/11/2012 AIMS Board Minutes**).
2. As of January 23, 2012, AIM Schools has had no ties with Amador&Amador Business Solutions (AABS) (see **Appendix B page 1-3, AABS' Last Payment**).
3. At the May 29, 2012 AIM Schools Board meeting, the AIMS Board approved a new independent auditor: Vavrinek, Trine, Day & Co., LLP (see **Appendix C page 1-6, New Independent Auditor**) and (see **Appendix D page 1-4, 05/29/2012 AIMS Board Minutes**).
4. On May 29, 2012, AIM Schools had a board training with Mr. Eric Premack from the Charter Schools Development Center (CSDC). Mr. Premack focused on "Charter Schools Governance Fundamentals" (see **Appendix E page 1-48, Board Training Agendas and Presentations from CSDC**).
5. At the May 29, 2012 AIM Schools Board meeting, the AIMS Board elected Ms. Jean Martinez-Jackson as a board member and new President of the AIMS Board (see **Appendix D page 1-4, 05/29/2012 AIMS Board Minutes**) and (see **Appendix F page 1, Ms. Martinez' Resume**).
6. From June 15, 2012 to June 24, 2012, Ms. Jennifer McQuarrie was hired by the AIM Schools Board to review the FCMAT report and help draft board meeting agendas and minutes to be in compliance with the Brown Act. Ms. McQuarrie was present at the June 19, 2012 and June 24, 2012 AIMS Board meetings to provide legal counsel as the AIMS Board conducted the board meeting (See **Appendix G page 1, Invoice from the Law Office of Jennifer McQuarrie**).
7. At the June 19, 2012 AIM Schools Board meeting, the AIMS Board approved a "A two person sub-committee consisting of President Jackson-Martinez and Mr. Rodriguez to draft three items of correspondence: (1) A letter to Dr. Ben Chavis and Mrs. Marsha Amador notifying them that they cannot have any contact or involvement with the school. (2) A letter to the parents notifying them not to have any contact with Dr. Ben Chavis and Mrs. Marsha Amador. (3) A letter to the teachers and staff notifying them not to initiate any contact with Dr. Ben Chavis and Mrs. Marsha Amador." (See **Appendix H page 1-3, 06/19/2012 AIMS Board Minutes**).



American Indian Model Schools

171 12th Street Oakland, CA 94607

8. On June 23, 2012, the AIM Schools President issued the founder a letter which stated "...the board has determined that it is in the best interest of AIMS Schools that both of you [Dr. Chavis and Mrs. Amador] refrain from having any contact with the AIMS Schools, including teachers, staff and students, until further notice from the board." (see **Appendix I page 1, Letter to the Founder and Spouse**).
9. At the June 24, 2012 AIM Schools Board meeting, the AIMS Board elected Mr. Steven Leung as a new member of the AIMS Board (see **Appendix J page 1-4, 06/24/2012 AIMS Board Minutes and Mr. Steven Leung's Resume**).
10. At the June 24, 2012 AIM Schools Board meeting, the AIMS Board took no action on the 171 12th Street lease agreement between AIPCS II and Lumbee Holdings, LLC. The June 24, 2012 minutes state, "Mr. Rodriguez motions to appoint President Jean Jackson-Martinez and Mr. Steven Leung on a two person advisory sub-committee to work through the lease issues and report back to the board." (see **Appendix J page 1-5, 06/24/2012 AIMS Board Minutes**).
11. On June 26, 2012, Ms. Marsha Amador, the founder's spouse, received her last payment as an AIM Schools employee (see **Appendix K page 1-4, Last Payments to Ms. Amador**).
12. On July 5, 2012, AIM Schools hired a new Financial Administrator (See **Appendix L page 1-3, Dianne Hatcher's Contract and Resume**). Ms. Dianne Hatcher has over 25 years of experience in finance, accounting, budgets and business operations.
13. At the July 17, 2012 AIM Schools Board meeting, the AIMS Board elected Mr. Nedir Bey and Mr. Ronald Grant as board members of the AIM Schools Board of Directors (see **Appendix M page 1-9, 07/17/2012 AIMS Board Meeting Minutes and Resumes of Mr. Bey and Mr. Grant**).
14. On July 30, 2012, AIM Schools hired a Staff Accountant (See **Appendix N page 1-4, Mercedes Askew's Contract and Resume**). Ms. Mercedes Askew has over 20 years of experience in accounting, payroll and bookkeeping.
15. On August 13, 2012, the AIM Schools Board hired an Administrative Assistant to the AIM Schools Board of Directors (see **Appendix O page 1, Karely Ordaz' Resume**).
16. On August 16, 2012, AIM Schools hired a new Bookkeeper (See **Appendix P page 1-3, Alice Atienza's Contract and Resume**). Ms. Alice Atienza has over 10 years of experience in accounting and bookkeeping.



American Indian Model Schools

171 12th Street Oakland, CA 94607

17. On August 31, 2012, the AIM Schools Board had a training with Mr. Paul Minney, from Middleton, Young & Minney, LLP. Mr. Minney covered the Brown Act, Conflict of Interest laws, Public Records Act and roles and fiduciary duties of AIM Schools Board members (See **Appendix Q page 1-32, Board Training Presentation of the Law Offices of Middleton, Young & Minney, LLP**).
18. On September 4, 2012, the founder of AIM Schools was removed as a signatory on the AIM Schools Community Bank of the Bay accounts (See **Appendix R page 1, AIMS' Community Bank of the Bay Letter**).
19. At the September 7, 2012 AIM Schools Board meeting, the AIMS Board unanimously approved the legal services agreement with Middleton, Young & Minney, LLP (See **Appendix S page 1-3, 09/7/ 2012 AIMS Board Minutes**). At the same board meeting, four (4) board committees were approved: (1) Finance Committee, (2) Board Training Committee, (3) Facilities and Compliance Committee, and (4) Faculty Committee.
20. At the September 18, 2012 and September 26, 2012, Mr. Minney provided legal counsel as the AIMS Board conducted their meetings (See **Appendix T page 1-8, 09/18/2012 and 09/26/2012 AIMS Board Minutes**).
21. On September 27, 2012, the AIM Schools Board requested and received a contract from the Charter School Management Corporation (CSMC) for comprehensive back-office services and charter vision access (see **Appendix U page 1-9, CSMC Contract with AIMS**).
22. On October 1, 2012, the AIM Schools Board requested and received a proposal from Dr. Brian L. Carpenter to conduct a board training (see **Appendix V page 1-12, Dr. Carpenter's Proposal**).
23. At the October 16, 2012 AIM Schools Board meeting, the AIMS Board approved Ms. Toni Cook and Dr. Laura Armstrong as AIMS board members. Ms. Cook has been an educator, has served on the OUSD Board from 1990-1998 and is currently the Dean at College of Alameda. Dr. Armstrong has over 26 years of experience and is the founder and director of East Oakland Leadership Academy (EOLA) (see **Appendix W page 1-8, 10/16/2012 AIMS Board Minutes and Resumes of Ms. Cook and Dr. Armstrong**).
24. At the October 16, 2012 AIM Schools Board meeting, the AIMS Board approved the AIM Schools Financial Specialist Committee to advise the AIMS Board and AIMS Finance Department (See **Appendix X page 1-6 Resumes' of Financial Specialist Committee**) and (see **Appendix W page 1-8, 10/16/2012 AIMS Board Minutes and Resumes of Ms. Cook and Dr. Armstrong**).



American Indian Model Schools

171 12th Street Oakland, CA 94607

25. On November 1, 2012, the former AIM Schools Director sent a memo to all AIM Schools Site Administrators stating "It will be the duty of the AIMS Director and each of the Site Administrators to maintain their own records of the AIMS Board agendas and approved minutes." (see **Appendix Y page 1, Memo to AIMS Site Administrators**).

26. At the November 13, 2012 AIM Schools Board meeting, the AIMS Board approved the AIM Schools Board Manual 2012-2013 which includes historical references of the organization, the strategic framework, minutes from recent AIM Schools Board meetings, policies pertaining to the AIM Schools Board, finance information, staffing charts, and other pertinent information. The AIM Schools Board Manual serves two functions: (1) For new AIM Schools Board members, the AIM Schools Board Manual is an orientation handbook that provides useful information about the organization, board structure and operations, and fellow board members and staff. (2) During the AIM Schools Board member's tenure, the manual serves as an indispensable working tool and a central resource about the organization and the board (See **Appendix Z, AIM Schools Board Manual 2012-2013**).

27. On November 15, 2012, the AIM Schools Board received a governance training from Mr. Sylvester Hodges, a former OUSD Board of Education member. Mr. Hodges specializes in board training and was accompanied by Mr. Steve Stevens, a former OUSD principal (during the 1970's and 1980's) and a former executive assistant to the OUSD Superintendent . The specialized governance training focused on Mr. Hodges' observation notes from the November 13th 2012 AIMS Board meeting. Mr. Hodges and Mr. Stevens covered the Brown Act and Robert's Rule of Order and Parliamentary Procedure. The AIMS Board was provided with practical tools to set ground rules and methods for developing protocols for future board meetings. Mr. Hodges will continue to observe the AIMS Board meetings and provide guidance through ongoing training (see **Appendix A, page 1-32, 11/15/2012 AIMS Board Governance Training Material from Mr. Sylvester Hodges and Mr. Steve Stevens**).

28. On November 26, 2012, AIM Schools submitted the responses to the Notice of Violation (NOV). The 13 binders submitted contained AIMS responses to the allegations in the NOV, questions for the Office of Charter Schools, process improvements, remediation, recommendations and supporting documentation (see **Appendix B₁, Disk with AIMS' Response to OUSD' NOV**).

29. At the December 18, 2012 AIM Schools Board meeting, the AIMS Board elected new AIMS board positions. Ms. Jean Jackson-Martinez was re-elected as president, Ms. Cook and Mr. Grant were elected as Vice Presidents, Mr. Leung was elected as treasurer and Mr. Locklear was re-elected as secretary of the AIMS Board (see **Appendix C, page 1-6, 12/18/2012 AIMS Board Meeting Minutes**).



American Indian Model Schools

171 12th Street Oakland, CA 94607

30. At the December 18, 2012 AIM Schools Board meeting, the AIMS Board approved the independent audits for the year ending in June 30, 2012. Professionals at Vavrinek, Trine, Day and Company, LLP performed a financial audit of the financial Statements for all AIM Schools. On December 3, 2012, they issued a report of their findings. The auditors concluded that there were “no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.” They stated that, “all significant transactions have been recognized in the financial statements in the proper period.” The report also stated that the auditors “encountered nonsignificant difficulties in dealing with management in performing and completing [their] audit.” (see **Appendix D₁ page 1-99, AIM Schools Independent Audits 2011-2012**).
31. At the December 18, 2012 AIM Schools Board meeting, the AIMS Board approved new AIM Schools Financial Policies and Procedures Manual (see **Appendix E₁ page 1-11, AIM Schools’ Financial Procedures and Policies Manual**). The financial policies and procedures manual was developed by the AIM Schools Finance Department and reviewed by the AIMS Financial Specialist Committee.
32. At the January 10, 2013 AIM Schools Board meeting, the AIMS Board appointed Mr. Sylvester Hodges as the new AIM Schools Interim Director (see **Appendix F₁ page 1-3, 01/10/2013 AIMS Board Meeting Minutes**).
33. On February 4, 2013, Mr. Sylvester Hodges, AIM Schools Interim Director, sent a memo to AIM Schools administrative staff which stated “Any communication with the founder will be limited to safety and facilities **ONLY**. Communication with the founder-outside of safety and facilities-must be first approved by me or Ms. Karely Ordaz...” (see **Appendix G₁ page 1, Memo to AIMS Administrative Staff**).
34. At the February 4, 2013 AIM Schools Board meeting, the AIMS Board came under new leadership when Ms. Toni Cook was elected as the new board president. Ms. Cook has been an educator, has served on the OUSD Board from 1990-1998, and is currently the Dean at College of Alameda (see **Appendix H₁ page 1-9, 02/04/2013 AIMS Board Meeting Minutes**).
35. At the February 4, 2013 AIM Schools Board meeting, the AIMS Board approved new board committees. The committees approved are: (1) Facilities Committee, (2) Finance Advisory Committee, and (3) Personnel and Policy Committee (see **Appendix H₁ page 1-9, 02/04/2013 AIMS Board Meeting Minutes**).



American Indian Model Schools

171 12th Street Oakland, CA 94607

36. At the February 4, 2013 AIM Schools Board meeting, the AIMS Board approved Mr. Patrick Martin's contract of which amount was to be determined at a later time. Mr. Patrick Martin will ensure productive fiscal management of AIM Schools. He has over 10 years of experience in financial procedures with charter schools. Mr. Martin worked as a Financial Analyst with Aspire Public Schools. His duties included Finance Management which deals with budget, opex analysis, forecast, cost containment, operations support and internal/external reporting for 9 high volume transaction Charter Schools - \$28M (annual) complex revenue stream (see **Appendix H₁ page 1-9, 02/04/2013 AIMS Board Meeting Minutes**) and (see **Appendix I₁ page 1-2, Mr. Patrick Martin's Resume**).
37. At the February 4, 2013 AIM Schools Board meeting, the AIMS Board authorized the Interim Director, Mr. Sylvester Hodges, to "...begin immediately to enter into discussion and possible negotiation with the appropriate Oakland Unified School District administrator to assist the AIM Schools organization in finding alternative space for a cheaper price. Further, any space that is identified must be such that the existing grade configurations at each site remain as is; and that it be within one mile radius of the existing sites to insure student stability and continuity. Finally, that Board Director Leung serves as an advisor to Director Hodges on this matter as I understand that he is a realtor by profession." (see **Appendix H₁ page 1-9, 02/04/2013 AIMS Board Meeting Minutes**).
38. On February 11, 2013, Mr. Sylvester Hodges, Interim Director of AIM Schools, requested that all Site Administrators, Assistant Site Administrators and Financial Administrators complete a Statement of Economic Interest form (Form 700) for 2012-2013. He stated that the Form 700 be completed and delivered in person to the Administrative Assistant to the AIM Schools Board by Friday, February 15th, 2013. (see **Appendix J₁ page 1-26, Director's Memo to AIMS Administrators Regarding Form 700s**)
39. On February 11, 2013 at 12 P.M., Mr. Sylvester Hodges, AIM Schools Interim Director, met with Mr. David Kakishiba, President of Oakland Unified School District (OUSD).
40. On February 11, 2013 at 2:30 P.M., Mr. Sylvester Hodges, AIM Schools Interim Director, met with Mr. Tim White, Assistant Superintendent for Facilities to discuss availability of facilities for AIM Schools.
41. On February 12, 2013 at 12 P.M., Mr. Sylvester Hodges, AIM Schools Interim Director, met with Ms. Jacqueline Minor, General Counsel of Oakland Unified Schools District (OUSD) and Mr. David Montes de Oca, Executive Director of OUSD's Quality Schools Development.
42. On February 12, 2013, Mr. Sylvester Hodges received a letter from Family Bridges, INC requesting to lease space from AIPCS II at 171 12th Street. In the letter, Ms. Corinne Jan, Chief Executive Officer, states that Family Bridges, INC needs about 8,000 to 10,000 square feet of



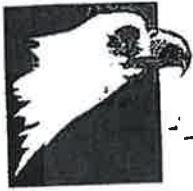
American Indian Model Schools

171 12th Street Oakland, CA 94607

space for about 120 enrollees ages 2-5 (see **Appendix K₁ page 1-2, Family Bridges, INC Letter**).

43. On February 16, 2013, the *San Francisco Chronicle* issued an article titled “Cheap rent for charter schools is going away” (see **Appendix L₁ page 1-2, SF Chronicle Article**).
44. At the February 19, 2013 AIM Schools Board Meeting, the AIMS Board approved an amendment to AIM Schools Financial Policies and Procedures Manual 2012-2013 to add the Board Treasurer as a signatory on AIM Schools Community Bank of the Bay accounts. This will insure greater fiscal management of AIMS funds (see **Appendix M₁ page 1-11, Updated AIM Schools Financial Policies and Procedures Manual 2012-2013**).
45. At the February 19, 2013 AIM Schools Board Meeting, the AIMS Board approved an updated AIM Schools’ Credit Card Policy. The new policy requires that (1) all credit cards are kept centrally in the finance office, (2) credit cards must be signed in and out, and (3) all expenditures above \$500 must have two quotes and must be pre-approved by the Director of AIM Schools (see **Appendix N₁ page 1, New AIM Schools Credit Card Policy**).
46. At the February 19, 2013 AIM Schools Board Meeting, the AIMS Board approved an updated AIM Schools Conflict of Interest Code (see **Appendix O₁ page 1-5, AIM Schools Updated Conflict of Interest Code**).
47. On February 25, 2013 at 4:00 P.M., Mr. Sylvester Hodges, AIM Schools Interim Director, met with Mr. John Dolby, Senior Vice President, and Mr. Barry W. Cohn, Partner of Cassidy Turley. Mr. Hodges and the representatives of Cassidy Turley agreed to the following: (1) Cassidy Turley will survey properties within a two mile radius of AIM Schools facilities, (2) Based on the zip codes of current AIM Schools students, Cassidy Turley will develop a list of facilities within proximity of the homes of AIMS’ students, and (3) Cassidy Turley will search for vacant facilities available that may or may not require modifications. Mr. Hodges will meet with representatives of Cassidy Turley in the next ten days.
48. On February 26, 2013, Mr. Sylvester Hodges, AIM Schools Interim Director, sent a letter to the founder of AIM Schools and his spouse stating “..in deference to your past roles that are no longer in effect; you are not a board member nor the Director of AIM Schools or administrative staff.” (see **Appendix P₁ page 1, Letter to Founder and Spouse**).

EXHIBIT 4



American Indian Model Schools

171 12th Street Oakland, CA 94607

June 23, 2012

Dear Dr. Chavis and Ms. Amador,

As you are aware, on June 12; the Fiscal Crisis & Management Assistance Team ("FCMAT") issued a report in connection with an audit it performed of the AIMS charter schools. In its report, FCMAT concluded that "there is sufficient evidence that fraud or misappropriation of assets and other illegal activities of charter funds may have occurred." The bases for FCMAT's conclusion relate primarily to various financial transactions involving you and business entities owned or controlled by you. The board's goal is to analyze and respond to the allegations in the FCMAT report and, more importantly, ensure that the AIMS Schools move forward in full compliance with all standards, rules and regulations that govern their operation.

In light of the above, the board has determined that it is in the best interests of AIMS Schools that both of you refrain from having any contact with the AIMS Schools, including teachers, staff and students, until further notice from the board. The teachers and staff employed by AIMS Schools will be instructed that they are not to initiate contact with you nor are they to take direction from you until further notice from the board. The board thanks you in advance for your cooperation during this critical time period, and invites you to direct any questions or concerns you may have to individual board members directly in writing.

AIMS School Board President

EXHIBIT 5

American Indian Model Schools

171 12th Street, Suite 101

Oakland, CA 94612

Board of Education Regular Meeting

Sunday, June 24, 2012 7:00 P.M.

Meeting at 171 12th Street

Minutes

Welcome to the meeting of the American Indian Model Schools Board of Education. If you would like to address the Board during Public Comments on any agenda item or any item not on the agenda, please fill out a comment card on the table and give it to the Chair. You will be called on to comment during this time and comments will be limited to three (3) minutes. To ensure that all speakers are provided an equal opportunity to address the Board during Public comments; individual speakers may not "yield" their allotted time to address the Board to other speakers. The Board may, in accordance with the Brown Act (section 54954.3[b] of the Government Code), limit the total amount of time allocated for comment on a particular issue. The Board may choose to respond to agenda item comments or reserve their responses for discussion and action when the agenda item appears during the course of the meeting. Individuals who require special accommodation should contact the AIM Schools Lead Site Administrator's Office at 510-482-6000 Ext. 10. As a courtesy to others, please turn off your cell phone upon entering the meeting.

Board Members present at the meeting: 1) President, Ms. Jackson-Martinez. 2) Secretary, Mr. Locklear. 3) Treasurer, Mr. Stember. 4) Mr. Rodriguez. 5) Mr. Leung will be appointed as a new board member at this meeting.

Guest: Ms. Janet Sal Lee, Ms. Gail Greely, Mr. Ronald Moss, Ms. Stephanie, Ms. Sau Tin, Ms. Angela, Mr. Chea Sung Wa, Mr. Ken Adler, Mr. Steven Leung.

Teachers: Mr. Burns, Ms. Avelino, Ms. He.

1. Call to order: President, Jean Jackson-Martinez called meeting to order at 7:15 PM.

2. Public Comment: Public comments will be limited to 15 minutes total.

A. Ms. Sau Tin is a parent with two children who attend AIPCS II. She disagrees with the AIM Schools lunch schedule.

B. Ms. Stephanie, a parent at AIPCS II has a concern with the students safety walking to Lincoln Park.

Ms. Gail Greely, OUSD representative says that "public comment is for items not on the agenda." Mr. Chris Rodriguez responds to say, "we want to spend the time with the items that are on the agenda."

C. Mr. Ronald Moss, a parent at AIPCS said he did not have an agenda at AIPCS, however the agenda was on the table next to him. His view is the AIM school's grading system is not "equitable and fair to his grandson."

D. Ms. Janet Sal Lee, is a parent who has twins in six grade. She chose AIPCS, because of the high academic standard, curriculum and rigorous work of the AIMS Model. She believes the AIM model is the way to achieve success. Her question to the board: "How is what is happening with Dr. Ben Chavis going to impact the program? What will it have on the children?" She is looking for leadership from the board and support for Dr. Chavis.

E. Ms. Angela, has a daughter attending summer school. She wants to know, "what the plan is that the Board has for the School? Can there be changes to the Board? Can we see parent representatives serving on the board?"

F. Mr. Chea Sung Wa is a student from China. He wants to see a laboratory for chemistry science classes.

G. Mr. Ken Adler, is a parent that has been involved with the school for six years. He said, "this is hopefully the first time he has seen our school board acting like a real board. The basic governance needs to change."

3. New board member appointment – Mr. Steven Leung is a residential and commercial real estate broker. He has been involved with real estate for 10 years. Mr. Jordan Locklear motions to approve Mr. Leung as new board member. Mr. Stember seconded and approved vote 5-0.

4. Closed Session

PUBLIC EMPLOYEE APPOINTMENT pursuant to Government Code section 54957

Title: Site Administrator (3 positions)

Title: Assistant Site Administrator (2 positions)

Title: Administrative Assistant (3.5 positions)

Title: Financial Administrator (1 position)

Title: Staff Accountant (1 position)

Employee Dismissal/Discipline/Release pursuant to Government Code section 54957

5. Report out action taken in closed session

Site Administrator (3 positions): Mrs. Walker is site administrator at AIPHS. Ms. Beckford will be in training under Mrs. Walker. Mr. Chu, is site administrator at AIPCS. The site administrator at AIPCS II is Ms. He.

Assistant Site Administrator (2 position): Ms. Avelino is at AIPCS II and Mr. Burns.

Administrative Assistant (3.5 positions): Ms. Palmore will be at AIPHS and Ms. Russel will be at AIPCS on 35th and Magee campus. At AIPCS II, Mr. Moreno and Ms. Merchant will be the administrative assistants.

Financial Administrator (1 position): Ms. Chen will be leaving for health reasons on the 30th of June. Mr. Rodriguez said, Mr. Trasedor will be at AIPCS II for two days next week. He will: 1) review accounting, financial and payroll procedures based on interviews and written documentation; 2) Review recent financial reports to assess the

accuracy of the condition of the school; 3) review state and federal grant statements that were cited in the FCMAT report in order to give the board advice as to what may happen; 4) identify alternative means providing business support services as a result of Mrs. Chen's departure; 5) Evaluate the reasonableness and soundness of the charter school budget for the 2012-2013 school year and he is going to advise the board of any other financial risk factors going on with the schools legal counsel.

Staff Accountant (1 position): Mr. Joe Zhou

6. Action Items

6.1 Approve board minutes for past two meetings: May 29th and June 16th : No action taken.

6.2 Approve AIPCS and AIPHS Budget: No action taken

6.3 Approve recommendation for teacher raises: No action taken

6.4 Re-Approval of Internship at American Indian Model Schools - Quiera Martinez: No action taken

6.5 Approval of Lease for 171 12th Street: No action was taken. Mr. Rodriguez motions to appoint President, Jean Jackson-Martinez and Mr. Steven Leung on a two person advisory sub-committee to work through the lease issues and report back to the board. President, Jean Jackson-Martinez seconded and approved 5-0.

6.6 Review and approve notices to Dr. Ben Chavis and Mrs. Marsha Amador, school staff, parents and students regarding Dr. Ben Chavis continued relationship with AIMS schools: No action was taken. Mr. Chris Rodriguez says the committee consisting of the President, Ms. Jackson and Mr. Rodriguez was unable to reach a consensus.

6.7 Approve Employee Contracts for: Approved at the previous meeting.

Title: Site Administrator (3 positions)

Title: Assistant Site Administrator (2 positions)

Title: Administrative Assistant (3.5 positions)

Title: Financial Administrator (1 position)

Title: Staff Accountant (1 position)

See employees in section 5 of agenda who will be in these positions.

7. ADJOURNMENT TIME: Mr. Chris Rodriguez motioned to Adjourned, which the President of the Board, Ms. Jean Jackson-Martinez seconded and vote approved 5-0. Meeting adjourned at 9:07 p.m.

EXHIBIT 6

American Indian Model Schools

171 12th Street, Suite 300

Oakland, CA 94607

Board of Education Regular Meeting

Tuesday, July 17, 2012 7:00 P.M.

Meeting at 171 12th Street

Minutes

Welcome to the meeting of the American Indian Model Schools Board of Education. If you would like to address the Board during Public Comments on any agenda item or any item not on the agenda, please fill out a comment card on the table and give it to the Chair. You will be called on to comment during this time and comments will be limited to three (3) minutes. To ensure that all speakers are provided an equal opportunity to address the Board during Public comments; individual speakers may not "yield" their allotted time to address the Board to other speakers. The Board may, in accordance with the Brown Act (section 54954.3(b) of the Government Code), limit the total amount of time allocated for comment on a particular issue. The Board may choose to respond to agenda item comments or reserve their responses for discussion and action when the agenda item appears during the course of the meeting. Individuals who require special accommodation should contact the AIM Schools Lead Site Administrator's Office at 510-482-6000 Ext. 10. As a courtesy to others, please turn off your cell phone upon entering the meeting.

Board Members present: Ms. Jean Jackson-Martinez, Mr. Jordan Locklear, Mr. Chris Rodriguez, and Mr. Steven Leung

Teachers and Staff Present: Ms. Dianne Hatcher, Mr. Joe Zhou, Ms. Jennifer Avenilo, Mrs. Claudia Walker, Mrs. Kimberly Palmore, Mr. Jason Chu and Mr. Seth Burns

Guest Present: Ms. Bernadette Coleman, Mrs. Tao, Ms. Kaytena Beckford, Mr. Ronald Grant, Mr. Nedir Bey and Ms. Karely Ordaz

1. **CALL TO ORDER:** Ms. Martinez called the meeting to order at 7:27PM
2. **APPROVAL OF MINUTES:** Mr. Locklear motioned to approve the minutes of February 21, 2012. Mr. Leung seconded the motion and was approved 4-0.
3. **PUBLIC COMMENTS:** The public may address the Board on any agenda item and any item not on the agenda. The board president will only call on those who have filled out comment cards before the meeting, and each speaker will be allotted three (3) minutes. The Board will not respond or take action on any non-agenda. The item may be added at a later date (Ed. Code 35145.5). The comments shall be made from the podium. In accordance with Government Code 54954.2 -No action or discussion shall be undertaken on any item not appearing on the posted agenda.

3.1. Kaytena Beckford, an ex-AIM Schools employee, began by stating that on November 4, 2011 she took office of AIPCS II and was promised to get training but was never trained. Then, Ms. Beckford said that Ms. Martinez promised on June 24th, 2012 that she would send her to the other campus but instead was given a letter of resignation. Lastly, Ms. Beckford wanted to know why Ms. Martinez' daughter, Quiera Martinez, was sent to a training camp with AIM Schools' money.

3.2 Mrs. Tao and Mrs. Coleman, members of the Family Advisory Committee, had their first Family Advisory Committee meeting last Tuesday with great turnout. They mentioned that a lot of volunteers showed up. Both invited parents to participate. Mrs. Coleman suggested that AIM Schools begins a Safety Committee for AIPCS II, a College Prep Committee, a Visiting College Committee, and a Translation Committee. Mrs. Coleman said that she is happy to serve in the committee and thinks it's important for parents to understand their role in the committee. She asked the board what they are allowed to do, in terms of the AIM Schools Bylaws. Ms. Martinez responded to Ms. Coleman that the Family Advisory Committee is like a PTA and is not regulated by the AIM Schools Board. Mrs. Coleman responded back by stating that the Family Advisory Committee is "a little different from a PTA". She said that they decided to have one person be the representative of the committee to report to the AIM Schools Board. Ms. Martinez said that decisions are up to Mrs. Coleman and the Board will serve to assist in any possible way.

ADMINISTRATOR'S REPORT

4.1. Enrollment update

4.1.1. Mrs. Claudia Walker, AIPHS: 258 students (up from 192 last year). Mrs. Walker also gave the current AP results.

4.1.2. Mr. Chu, AIPCS, Web Based Solution from AIM Schools: 299 students enrolled at AIPCS from 262 last year. One hundred fifty two students from AIPCS will be enrolled in SAIL. Mr. Chu suggested that AIM Schools should be looking into web base solutions to save time and give extra hours to students. Mr. Chu had a proposal for the Board. He said that it will cost money, but in the long run, it will save labor cost.

4.1.3. Ms. He, AIPCS II: Mr. Burns stated that In K-8th grade there are 670 students enrolled with continual enrollment. He also stated that 5 teachers have been removed and 5 new hires had taken place. He said that AIPCS II needs one 8th grade teacher, one resource teachers and 191 students will attend SAIL. He said that the

school is currently preparing for fire inspections. The obstacles that he mentioned were pick up/drop up procedures and constant re-organization of the office. AIPCS II has 29 staff members.

4.1.4. AIPHS Finance Update: Mr. Joe Zhou talked about the AIPHS budget. He stated that currently summer school enrollment decreased because of approved budget in previous meeting.

4. ACTION ITEMS

5.1. New Officers, Removal, and Resignation: Ms. Martinez made the first motion to remove Michael Stember from the AIM Schools Board. Mr. Locklear seconded, vote approved 3-0. Ms. Martinez made the first motioned to remove Chris Rodriguez from the AIM Schools. Mr. Locklear seconded it, vote approved 3-0. Ms. Martinez made the first motion to welcome Mr. Bey and Mr. Grant to the AIM Schools Board. Mr. Locklear seconded it, vote approved 3-0.

5.2. Lease 171 12th Street: Ms. Martinez made first motion to approve the lease. Mr. Leung seconded it, approved 3-0.

5.3. Merritt College Classes: Mr. Grant is a professor in Merritt College teaching an introductory business class. He said that the class is a challenging class because the information that students are receiving is new. Overall, he said students were doing well with good grades with an exception of 3 students he is working with. Mr. Grant said he will work with Mrs. Walker to figure out the fall transferable class. He stated that other charter schools are trying to get into the Merritt College but he stated that AIM Schools were his concern. Mrs. Tao asked if Merritt College course were only during the summer. Mr. Grant said yes. Mrs. Coleman asked how Merritt College course would work for kids at AIPCS II. Mr. Grant admitted that it's a problem but suggested that a class could be taught at the AIPCS II campus. Mrs. Walker said that in the past instructors would come teach at the campus. She said that currently students can enroll on their own. Mr. Grant said that they are trying to make labs available. He stated that the new person working at Merritt College is very interested in working with AIM Schools. No vote was made.

5.4. S.A.I.L General Math-Calculus: Mr. Locklear said that he volunteered for the SAIL program. He said that AIM School Alumni who taught at SAIL received 4 year acceptance letter to universities. Mr. Locklear

mentioned that their responsibility, as AIM Schools Alumni, is to give back to AIM Schools. Mr. Locklear made the first motion to approve the SAIL program. Jean seconded it, vote approved 5-0.

5.5. Approve Employees: Mr. Grant gave first motion to approve line item. Mr. Locklear seconded it, approved 5-0.

5.6. AIM School Hall of Fame - First Inductee: Ms. Karely Ordaz, May 2009 American Indian Public High School graduate. Ms. Ordaz graduated in May 2012 from UC Berkeley: Mr. Locklear introduced Karely as a UC Berkeley graduate with an American Studies degree with an emphasis in Environment, Policy and Public Health. He stated that she currently volunteers at AIPCS II with tutoring, traffic and volunteers for the Noel Gallo for City Council campaign. Mr. Locklear made first motion to approve item. Mr. Grant seconded, approved 5-0.

CLOSED SESSION: None

By law, closed sessions are not open to the public. Anyone wishing to address the Board of Education on closed session matters may do so during the Agenda Item 3 - Public Comments.

5. REPORT FROM CLOSED SESSION

6. ADJOURNMENT TIME: Ms. Martinez moved to adjourn the meeting. It was seconded by Mr. Locklear and approved 5-0. Meeting adjourned 8:48 PM.

EXHIBIT 7



DECLARATION OF GAIL ANN GREELY

I, Gail Ann Greely, declare:

I am currently the Director of the Charter Schools Office for the Alameda County Office of Education, and have held that position since October 29, 2012. Prior to my current position, I was the Director of the Office of Charter Schools (OCS) for the Oakland Unified School District ("District"), a position I held from December 15, 2010, through October 28, 2012.

I submit this declaration in connection with the District's revocation proceedings against American Indian Model Schools (AIMS) charter schools. I have personal knowledge of the matters stated in this declaration and could testify to them if so called as a witness.

1. As part of OCS' oversight duties over the three AIMS charter schools, I attended the June 24, 2012 meeting of the AIMS governing board. During discussion of an agenda item pertaining to written notices of separation to AIMS founder Ben Chavis, and his wife, Marsha Amador, AIMS Board Member Chris Rodriguez stated that a subcommittee of himself and AIMS Board President Jean Martinez could not reach agreement on sending a notice to Dr. Chavis and Ms. Amador, and decided not to send any notice.

2. On September 20, 2012, as part of my duties as Director of OCS, I met with Jean Martinez, then President of the AIMS Board, to deliver the Notice of Violation that was scheduled for consideration by the OUSD Board the following week. At the meeting, Ms. Martinez told me that Michael Stember and Mr. Rodriguez were removed from the AIMS board at the board's meeting of July 17, 2012 because they were inaccessible, as they did not live locally.

3. On September 24, 2012, as part of my duties as Director of OCS, I spoke to Mr. Rodriguez by telephone. Mr. Rodriguez disputed the reasons provided by Ms. Martinez for his removal. Mr. Rodriguez was not informed beforehand that he would be removed from the Board, and was never given any explanation from anyone at AIMS for his removal. Mr. Rodriguez stated that he believed that he and Mr. Stember were removed because they advocated at an AIMS board meeting that the organization retain a forensic accountant to investigate the findings in the FMCAT report.

4. On October 10, 2012, as part of my duties as Director of OCS, I spoke to Mr. Stember by telephone about his removal from the AIMS board. Mr. Stember was not present at the July 17, 2012 AIMS board meeting in which he was removed, and was not informed beforehand that he would be removed. No one at AIMS has ever explained to him why he was removed from the Board. Mr. Stember believes that he was removed because he advocated that the organization retain outside expertise to address its operational issues.

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 14th day of March, 2013, in Hayward, California.


GAIL ANN GREELY

DECLARATION OF MICHAEL McMAHON

I, Michael McMahon, declare:

I am currently a Compliance Specialist with the Office of Charter Schools (OCS) for the Oakland Unified School District, and have held that position since July, 2012.

I submit this declaration in connection with the District's revocation proceedings against American Indian Model Schools (AIMS) charter schools. I have personal knowledge of the matters stated in this declaration and could testify to them if so called as a witness.

1. As part of OCS's oversight duties over the three AIMS charter schools, I attended the July 17, 2012 meeting of the AIMS governing board.

2. During that meeting, I observed the AIMS Board take action under agenda item 5.1 ("New Officers, Removal and Resignation"). AIMS Board President Jean Martinez made a motion to remove AIMS Board member Michael Stember, who was not present at the meeting. Another AIMS Board member, Chris Rodriguez, attempted to speak on the item and was cut off. The AIMS Board approved Mr. Stember's removal by a 3-1 vote, with Mr. Rodriguez voting no.

3. Subsequently, Ms. Martinez made a motion to remove Mr. Rodriguez, which was approved by a 3-1 vote, with Mr. Rodriguez voting no. Mr. Rodriguez then left the meeting. Subsequently, Ms. Martinez made motions to appoint Nedir Bey and Ronald Grant, both of which were approved 3-1.

4. No reasons were stated at the AIMS Board meeting of July 17, 2013 for the removal of Mr. Rodriguez or Mr. Stember.

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 15th day of March, 2013, in Oakland, California.


MICHAEL McMAHON

DECLARATION OF MICHAEL McMAHON

I, Michael McMahon, declare:

I am currently a Compliance Specialist with the Office of Charter Schools (OCS) for the Oakland Unified School District, and have held that position since July, 2012.

I submit this declaration in connection with the District's revocation proceedings against American Indian Model Schools (AIMS) charter schools. I have personal knowledge of the matters stated in this declaration and could testify to them if so called as a witness.

1. As part of OCS's oversight duties over the three AIMS charter schools, I attended the July 17, 2012 meeting of the AIMS governing board.

2. During that meeting, I observed the AIMS Board take action under agenda item 5.1 ("New Officers, Removal and Resignation"). AIMS Board President Jean Martinez made a motion to remove AIMS Board member Michael Stember, who was not present at the meeting. Another AIMS Board member, Chris Rodriguez, attempted to speak on the item and was cut off. The AIMS Board approved Mr. Stember's removal by a 3-1 vote, with Mr. Rodriguez voting no.

3. Subsequently, Ms. Martinez made a motion to remove Mr. Rodriguez, which was approved by a 3-1 vote, with Mr. Rodriguez voting no. Mr. Rodriguez then left the meeting. Subsequently, Ms. Martinez made motions to appoint Nedir Bey and Ronald Grant, both of which were approved 3-1.

4. No reasons were stated at the AIMS Board meeting of July 17, 2013 for the removal of Mr. Rodriguez or Mr. Stember.

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 15th day of March, 2013, in Oakland, California.

MICHAEL McMAHON


EXHIBIT 8

I, Sophath Mey, declare:

I was employed at American Indian Model Schools ("AIMS") from approximately October 1, 2006 through August 26, 2011. I submitted my resignation on August 26, 2011.

1. I understand that AIMS, in its response to the Notice of Violation, submitted a July 15, 2011 memorandum (attached as Exhibit A) from Ben Chavis to myself purporting to be a "follow-up of my concerns I discussed with you."
2. I never received the July 15, 2011 memorandum attached as Exhibit A.
3. I understand that AIMS is contending that I took a trip to North Carolina in 2011 without the consent of the organization. In fact, I took the trip at the request of AIMS/Dr. Chavis to observe the SAIL Summer Math Program, which was offered at a North Carolina elementary school. I also took the trip to see the construction of school facilities at Dr. Chavis's personal farm.
4. I also understand that AIMS has submitted a November 18, 2010 memorandum (attached as Exhibit B) from Dr. Chavis to myself regarding the role of OASES. The memorandum attached as Exhibit B was never provided to me while I was employed at AIMS.

I declare under penalty of perjury under the State of California that the foregoing is true and correct. Executed this 29th day of January, 2013, in Oakland, CA



Sophath Mey

EXHIBIT A

American Indian Model Schools

171 12th Street
Oakland, California 94607
510-49-4163

TO: Ms. S. Mey, AIM Schools

FR: Dr. Ben Chavis, *BK* Acting Chief

RE: Demotion

DA: July 15, 2011

This is a follow-up of my concerns I discussed with you. In the future you will leave a telephone number where you can be contacted in your absence. Neither Ms. Smith, Mrs. Walker, Ms. Moreno or anyone else I asked were aware of your whereabouts for a week. You did not leave anyone in charge during your absence. In addition, you did not return any of my telephone calls during your absence.

In addition, I am perplexed that you hired more administrative staff while student enrollment decreased during 2010-2011 school year. You were given the option to resign, commit to doing a better job, or being fired. I am pleased you agreed to stay and do a better job. The following actions will be taken:

1. You will be resigned to AIPCS as the Site Administrator.
2. You will arrive at work by 8:00 am each work day.
3. You will provide a copy of the Administrative training plan and schedule for next month.
4. You will provide a copy of any contracts you have signed, Board minutes, list of new employees and their files, list of open positions, list of any meetings or other commitments you have made.
5. Your salary will be reduced from \$90,000 to \$75,000 per year.

I will be available at any time to work with you. If you have any questions please put them in writing. I expect you to give 100% effort to your job.

CC: Personnel file

EXHIBIT B

AMERICAN DELIVERY SYSTEMS

5700 W. El Camino Del Cerro

Tucson, Arizona 85745

520-743-0771

TO: Ms. Sophath Mey, Director
AIM Schools

FR: Dr. Ben Chavis, Chief
Oakland After School Educational Services

RE: ASES for AIM Schools, COVA and EOLA

DA: November 18, 2010

This is a follow-up to our conversation. The Oakland After School Educational Services program will be working with the ASES program with AIM Schools, Conservatory of Instructional Arsts (COVA), and East Oakland Leadership Academy (EOLA). Ms. Nicole Merino will be hired as you recommended. She will be coordinator of ASES for COVA, EOLA and AIM Schools.

She will work with you and Ms. Holly Smith, your administrative Assistant at American Indian Public Charter School. They will be responsible for maintaining the documentation of the ASES program for each of the above schools. Mrs. Moreno will work with the state and complete the required paper work. I will be available to provide assistance as need by you and your team.

OASES will not charge AIM Schools the 15% (\$22,500) for administration services. This will be a donation back to the school as matching funds to the state ASES program. You can use this money to benefit our students.

CC: ~~Ms.~~ Moreno, ASES Coordinator
File

EXHIBIT 9



Alameda County Office of Education

Sheila Jordan
Superintendent

Damon Smith
Associate Superintendent
Business Services

Movetia Salter
Chief Human Resources Officer

Naomi Eason
Assistant Superintendent
Educational Services

Robert Crose
Assistant Superintendent
Student Programs and Services

BOARD OF EDUCATION

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Fred Sims
Trustee Area 5

Eileen McDonald
Trustee Area 6

Yvonne Cerrato
Trustee Area 7

June 13, 2012

Superintendent Tony Smith
Oakland Unified School District
1025 Second Avenue
Oakland, CA 94606-2296

Dear Superintendent Smith,

I am writing to inform you that the FCMAT investigation of the American Indian Model School (AIMS) has been completed. Based on the report, I believe that there is sufficient evidence of fraud and misappropriation of funds for me as County Superintendent to forward to the District Attorney per my responsibilities under Assembly Bill 139 and in accordance with California Education Code section 42638(b).

The attached FCMAT findings are significant and are of great concern. Fraudulent activities have a direct impact on students in the classroom. For every example of misuse, children suffer. The lack of oversight by the AIMS board and the unethical practices by its founder are unacceptable and an abuse of the public trust.

In being made aware of the substantial evidence, I trust that the OUSD Board of trustees will follow the FCMAT recommendations in the attached report and continue to assess the viability of the schools in question. Given the serious findings, it is more critical that OUSD engages AIMS governance board to ensure that an ethical, credible learning environment for students should be a priority.

Sincerely,

Sheila Jordan
Alameda County Superintendent of Schools

cc:

John Chiang, California State Controller
Tom Torlakson, California Superintendent of Public Instruction
Nancy O'Malley, Alameda County District Attorney
Jody London, President, Oakland Unified School District Governing Board
Michael Stember, President, AIMS Charter Schools Governing Board
Ken Berrick, President, Alameda County Board of Education
Gail Greely, Coordinator, OUSD Office of Charter Schools

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(510) 887-0152

www.acoe.org



EXHIBIT 10

STATE OF CALIFORNIA

CALIFORNIA SCHOOL FINANCE AUTHORITY

304 S. Broadway, Suite 550
Los Angeles, CA 90013
Telephone: (213) 620-4467
Fax: (213) 620-6309



July 3, 2012

Ms. Kaytena Beckford
American Indian Public Charter Schools
171 12th Street
Oakland, CA 94607

MEMBERS:

Bill Lockyer, Chair
State Treasurer

Tom Torlakson
Superintendent of Public Instruction

Ana J. Matosantos
Director of Finance

EXECUTIVE DIRECTOR:

Katrina Johantgen

Dear Ms. Beckford:

This is to advise of the status of the grants awarded to each of the three schools listed below under the State Charter School Facilities Incentive Grants Program (CFDA #84.282D). The grant funds were designated to be used toward the lease costs of each of the respective charter school facilities.

American Indian Public High School (CDS Code: 01-61259-0111856)
American Indian Public Charter School II (CDS Code: 01-61259-0114363)
American Indian Public Charter School (CDS Code: 01-61259-6113807)

We received information in June related to the schools' ongoing good standing and charter compliance status. On June 13, 2012, we received written notice from Oakland Unified School District advising the schools were neither in good standing nor in compliance with the terms of their charters.

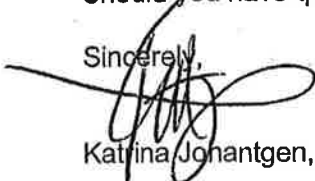
Based on the requirements outlined in program regulations and the grant agreements, all sub-grantee charter schools are to continuously be in good standing and be in compliance with the terms of their charters.

Pursuant to Section 8.1, subsections (a), (b), and (e), of the Grant Agreement, the three schools listed are in default of their Grant Agreements with the Authority for failure to continuously be in good standing with their chartering authorizer and in compliance with the terms of their charters. Under California Code of Regulations, title 4, section 10177 (enclosed), continuous and uninterrupted good standing and compliance are necessary for continued eligibility under the Grant Agreement.

To remain eligible for the Program, the three schools will each need to ensure the Authority has received documentation which demonstrates that each school is in compliance with the terms of its charter and in good standing with its chartering authority. If we do not receive this confirmation directly from the chartering authority no later than Thursday, August 9, 2012, each of the schools will be found in default of their respective Grant Agreements with the Authority. In the event of default, the schools will be determined to be ineligible for the Program, and all remaining grant funds will be rescinded and those funds will revert to the Authority.

Should you have questions, please contact me at (213) 620-4467.

Sincerely,


Katrina Johantgen, Executive Director

Attention: Katrina Johantgen, Executive Director
California School Finance Authority
Fax: (213) 620-6309

This is in response to your request for information needed to consider American Indian Public Charter School II's (CDS Code #01-61259-0114363) eligibility for grant funds under the State Charter School Facilities Incentive Grants Program (CFDA #84.282D).

This is to confirm that American Indian Public Charter School II is in compliance with the terms of its charter agreement with the Oakland Unified School District.

Yes _____ No _____

Please provide an explanation of any negative response.

See accompanying FCMAT report

This is to confirm that American Indian Public Charter School II is in good standing with its chartering authority, Oakland Unified School District.

Yes _____ No _____

Please provide an explanation of any negative response.

See accompanying FCMAT report

Gail A. Greeley
Signature:

6/13/12
Date:

Gail A. Greeley
Printed Name:

Contact Information: Phone: 510-336-7571

Email: gail.greeley@ousd.k12.ca.us

Expiration of Charter: 6/30/2017

Attention: Katrina Johantgen, Executive Director
California School Finance Authority
Fax: (213) 620-6309

This is in response to your request for information needed to consider American Indian Public High School's (CDS Code #01-61259-0111856) eligibility for grant funds under the State Charter School Facilities Incentive Grants Program (CFDA #84.282D).

This is to confirm that American Indian Public High School is in compliance with the terms of its charter agreement with the Oakland Unified School District.

Yes _____

No _____

Please provide an explanation of any negative response.

See accompanying FCMAT report

This is to confirm that American Indian Public High School is in good standing with its chartering authority, Oakland Unified School District.

Yes _____

No _____

Please provide an explanation of any negative response.

See accompanying FCMAT report

Signature:

Gail A. Greeley

Date:

6/13/12

Printed Name:

Gail A. Greeley

Contact Information: Phone: *510-336-7571*

Email: *gail.greeley@ousd.k12.ca.us*

Expiration of Charter:

6/30/2016

Attention: Katrina Johantgen, Executive Director
California School Finance Authority
Fax: (213) 620-6309

This is in response to your request for information needed to consider American Indian Public Charter School's (CDS Code #01-61259-6113807) eligibility for grant funds under the State Charter School Facilities Incentive Grants Program (CFDA #84.282D).

This is to confirm that American Indian Public Charter School is in compliance with the terms of its charter agreement with the Oakland Unified School District.

Yes _____ No

Please provide an explanation of any negative response.

See accompanying FCMAT report

This is to confirm that American Indian Public Charter School is in good standing with its chartering authority, Oakland Unified School District.

Yes _____ No

Please provide an explanation of any negative response.

See accompanying FCMAT report

Gail A. Greeley
Signature:

6/13/12
Date:

Gail A. Greeley
Printed Name:

Contact Information: Phone: 510-336-7571

Email: gail.greeley@ousd.k12.ca.us

Expiration of Charter: 6/30/2016

Section 10177. Eligible Applicant.

Any Applicant shall be eligible to apply for a grant if all of the following conditions are met:

- (a) An approved charter has been awarded and is in place and current at the time of application, and without interruption throughout the application review and approval process.
- (b) The charter school is in good standing with its chartering authority and is in compliance with the terms of its charter at the time of application submission and without interruption throughout the term of the grant. The Authority will rely on information from the chartering authority regarding the school's good standing and compliance with the terms of its charter. Charter schools may appeal any response by the chartering authority's staff directly to the chartering authority's governing board. It shall be the charter school's responsibility, and not the Authority's, to ensure that the good standing and compliance response letter is received by the stated deadline.
- (c) The charter school has completed at least one school year of instructional operations under its current County-District-School (CDS) Code and charter number issued by the California Department of Education.
- (d) The charter school is not a current subgrantee pursuant to the 2004 State Charter School Facilities Incentive Grants Program (Rounds 1 – 5) and has not received an award pursuant to the 2009 Program (Rounds 6 – 10).
- (e) At least eighty percent (80%) of the instructional time offered by the charter school shall be at the school site, and the charter school shall attain an average daily attendance rate of at least eighty percent (80%) based on the school's most recent CBEDS report.
- (f) The charter school is established pursuant to Education Code section 47600, et seq., and also meets the federal definition of charter school as defined in section 5210(1) of the Elementary and Secondary Education Act of 1965 (20 USCA section 7221(i)), as amended by the No Child Left Behind Act of 2001.
- (g) The charter school admits students by lottery in the event more students want to attend the school than the school can accommodate. - 3 -
- (h) The charter school is able to demonstrate costs are eligible pursuant to Section 10178.

Section 10188. Release of Funds.

- (e) All subgrantees shall submit documentation of continued eligibility on a semi-annual basis during the months of February and August.
 - (1) Documentation of continued eligibility shall include, but not be limited to, copies of the current charter and current leases(s); verification of any changes to the subgrantee's name, project, project location, or facility costs; executed amendments to the grant agreement, when appropriate; and verification and/or status of pending or threatened legal issues or investigations.
 - (2) Documentation of continued eligibility shall require verification the subgrantee charter school is continuously in good standing with its chartering authority and continuously in compliance with the terms of its charter without interruption throughout the term of the grant. The Authority will rely on information from the chartering authority regarding the school's good standing and compliance with the terms of its charter. Charter schools may appeal any response by the chartering authority's staff directly to the chartering authority's governing board. It shall be the charter school's responsibility, and not the Authority's, to ensure that the good standing and compliance response letter is received by the stated deadline.
 - (3) Documentation of continued eligibility must be received and approved by the Authority on or before February 28 and August 31 of each year in order for the Authority to release a disbursement.

(4) Failure to meet the February 28 or August 31 deadline shall result in the subgrantee being declared ineligible to receive the first monthly disbursement of the respective semi-annual disbursement period. The forfeited funds cannot be disbursed retroactively and will immediately revert back to the Authority.

(5) If the required documentation is not received and approved by the Authority within 30 calendar days following the February 28 and August 31 deadline, the subgrantee shall be declared ineligible to receive the remaining five monthly disbursements for the respective semi-annual disbursement period. The forfeited funds cannot be distributed retroactively and will immediately revert back to the Authority.

(6) Failure to meet the semi-annual deadlines consecutively and provide documentation within 30 calendar days from each deadline shall result in the subgrantee being declared ineligible to receive all remaining disbursements under the grant program. The forfeited funds will immediately revert back to the Authority.

EXHIBIT 11

TO: Board of Education

FROM: Anthony Smith, Ph.D., Superintendent

DATE: March 16, 2013

RE: **American Indian Public Charter School, American Indian Public Charter School II, American Indian Public High School: Revocation Proceedings**

ACTION REQUESTED

Under Education Code Section 47607(c), **Revoke** the charter granted to American Indian Model Schools (AIMS) for the operation of American Indian Public Charter School, American Indian Public Charter School II, and the American Indian Public High School, on the grounds that AIMS:

1. Committed a material breach of a condition, standard, or procedure set forth in the charter;¹
2. Failed to meet generally accepted accounting principles, and engaged in fiscal mismanagement;²and
3. Violated a provision of law³

If the Board accepts the Staff recommendation, the revocation will be effective June 30, 2013 in order to allow students at all three programs to complete the current school year and families to make transition plans for the 2013-2014 school year.

I. PROCEDURAL HISTORY

AIMS currently holds three charters granted by OUSD

School	Renewal Term	Location
American Indian Public High School ("AIPHS")	July 1, 2011 – July 1, 2016	Location: 3637 Magee Avenue, Oakland, CA Approved satellite location: 171 12 th Street, Oakland, CA
American Indian Public Charter School, Grades 6-8	July 1, 2011 – July 1, 2016	3637 Magee Avenue, Oakland, CA
American Indian Public Charter School II, Grades K-8	July 1, 2012 – June 30, 2017	171 12 th Street, Oakland, CA

¹ Education Code Section 47607(c)(1)(A)
² Education Code Section 47607(c)(1)(C)
³ Education Code Section 47607(c)(1)(D)

In late 2011, the Alameda County Superintendent of Schools requested that the Fiscal Crisis Management Assistance Team ("FCMAT") initiate an investigation of AIMS.

On June 12, 2012, FCMAT issued an "Extraordinary Audit of the American Indian Model Charter Schools," detailing findings of conflict of interest violations, fiscal mismanagement and improper use of public funds. The County Superintendent referred the FCMAT report to the Alameda County District Attorney. **(Exhibit 9 to the Resolution.)** As a result of the FCMAT findings, the California Department of Education terminated After School Education and Safety Program (ASES) funding to AIMS effective July 1, 2012 and the California Finance Authority found AIMS in default of the Charter School Facilities Grant Agreements. **(Exhibit 10 to the Resolution.)**

The OUSD Board of Education ("Board") approved the issuance of a Notice of Violation ("NOV") against AIMS at its September 27, 2012 meeting. **(Exhibit 1 to the Resolution.)** The Board provided AIMS a 60-day period in which to remedy the violations identified in the NOV. On November 26, 2012, AIMS provided its written response to the NOV.

The Board voted to issue a Notice of Intent to Revoke at its January 23, 2013 meeting. **(Exhibit 2 to the Resolution.)** The Board held a public hearing on the Notice of Intent to Revoke on February 27, 2013. The Board will take final action on whether to revoke the AIMS charters on March 20, 2013.

II. STATUTORY REQUIREMENTS

California Education Code Section 47607(c)(1) provides the grounds for revocation of a charter. A charter may be revoked by the authority that granted the charter . . . if the authority finds, through a showing of substantial evidence, that the charter school did any of the following:

1. Committed a material violation of any of the conditions, standards, or procedures set forth in the charter;
2. Failed to meet or pursue any of the pupil outcomes identified in the charter;
3. Failed to meet generally-accepted accounting principles, or engaged in fiscal mismanagement; or
4. Violated any provision of law.

Effective January 1, 2013, Section 47607(c)(2) of the Education Code was added to provide that the authority that granted the charter shall consider increases in pupil academic achievement for all groups served by the charter school as the most important factor in determining whether to revoke a charter.

The new provision defines “all groups of pupils served by the charter schools” as “numerically significant pupil subgroups” in the following categories: ethnic subgroups, socioeconomically disadvantaged pupils, English learners, and pupils with disabilities.⁴

Prior to revocation, the authority that granted the charter must ⁵

1. Notify the charter public school of any violation;
2. Give the school a reasonable opportunity to remedy the violation, unless the authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils;
3. Issue the Notice of Intent to Revoke;
4. Conduct a public hearing on the potential revocation.

If the charter authority revokes the charter, the charter school may appeal the revocation to the County Board, and, if the revocation is upheld by the County Board, to the State Board of Education.⁶

III. NOTICE OF VIOLATION AND AIMS RESPONSE

A. Notice of Violation

The Notice of Violation contained allegations that the AIMS Board engaged in acts of misconduct, including but not limited to the following:

1. Allowing the AIMS founder to personally profit in the sum of approximately \$3.8 million in public funds through contracts between AIMS and companies owned by the founder and/or his spouse in violation of conflict of interest laws; and
2. Failing to maintain financial or operational control over AIMS operations, which resulted in:
 - a) Inappropriate use of AIMS credit cards;
 - b) Forgery of an attendance record;
 - c) Non-compliance with teacher credentialing requirements; and
 - d) Violation of the After School Education and Safety (ASES) Program grant terms.
3. Failing to follow Generally Accepted Accounting Principles (GAAP), by failing to maintain documentation of fiscal transactions; and failing to disclose losses, such as those from an improper real estate escrow transaction;
4. Failing to make an adequate record of the AIMS Board’s actions, including

⁴ See Education Code Section 52052.

⁵ See Education Code Section 47607(d) and (e)

⁶ See Education Code Section 47607(f)(1) and (3)

failing to maintain board minutes for all meetings and failing to conform board agendas and minutes to the requirements of the Brown Act; and

5. Failing to follow its own rules of governance, including rules regarding selection of new board members.

The Notice of Violation concluded that AIMS had:

1. Committed a material breach of a condition, standard, or procedure set forth in the charter;⁷
2. Failed to meet generally accepted accounting principles, and engaged in fiscal mismanagement;⁸ and
3. Violated a provision of law.⁹

The Notice of Violation provided AIMS sixty (60) days to remedy the violations and provide a written response. The Notice of Violation required AIMS to address the violations and identify remedial steps in the areas raised in the NOV, including but not limited to the following:

1. Management of the AIMS organization to ensure compliance with applicable legal requirements, including enrollment and teacher credentials.
2. Changes to [the] structure and operation of [the] AIMS governing board to ensure greater fiscal and operational control.
3. Identification of a responsible agent for AIMS fiscal operations.
4. Institution of conflict of interest enforcement procedures.
5. Appropriate separation of founder and spouse from all aspects of AIMS operations. **(Resolution, Exhibit 1 at pp. 54-55 to the Notice of Violation.)**

B. AIMS Response to Notice of Violations

On November 26, 2012, AIMS submitted a written response to the Notice of Violation in the form of thirteen binders (the "November Response"). The Superintendent and staff conducted an extensive review of the November Response and concluded that the response did not remedy the violations set forth in the Notice of Violation. Specifically, AIMS' response did not identify remedial steps to address: 1) management of the AIMS organization to ensure compliance with applicable legal requirements; 2) changes to the structure and operation of the AIMS governing board to ensure greater fiscal and operational control; 3) retention of a fiscal agent; 4) institution of conflict of interest enforcement procedures; 5) appropriate separation of founder and spouse from all aspects of AIMS operations; and 6) disgorgement of public funds inappropriately paid to the founder.

⁷ Education Code Section 47607(c)(1)(A).

⁸ Education Code Section 47607(c)(1)(C)).

⁹ Education Code Section 47607(c)(1)(D)).

Therefore the Superintendent recommended that the Board approve a Notice of Intent to Revoke the AIMS charters under Education Code Section 47607(e).

IV. NOTICE OF INTENT TO REVOKE, PUBLIC HEARING, AND SUPPLEMENTAL RESPONSES

On January 23, 2013, the Board approved the Notice of Intent to Revoke, and the District served the Notice on AIMS the following day. The Notice of Intent to Revoke concluded that AIMS, in its response to the Notice of Violation, failed to remedy the violations set forth in the Notice of Violation, including but not limited to the following:

1. "AIMS did not acknowledge that its founder, Ben Chavis, committed conflict of interest violations, nor did AIMS take steps to address those conflicts of interests.
2. AIMS failed to institute acceptable institutional reforms to safeguard against future violations.
3. AIMS failed to institute acceptable changes in its financial and operational procedures to ensure that future fiscal mismanagement does not occur.
4. AIMS failed to engage sufficient institutional expertise, such as a charter management organization, to implement the necessary institutional and organizational overhaul of its operations.
5. AIMS failed to address in an acceptable manner any means or process for defining the role of the founder or achieving the necessary separation of him from the organization." **(Notice of Intent to Revoke, Exhibit 2 at p. 2. to the Resolution.)**

On February 27, 2013, in compliance with Education Code section 47607(e), the Board held a public hearing on whether substantial evidence existed to revoke the AIMS charters.

On the same day, prior to the public hearing (and after the expiration of the 60-day remedy period on November 28, 2012), AIMS submitted a list of 48 steps (and two binders of documents) it had undertaken in response to the Notice of Violation and Notice of Intent to Revoke, as well as additional supporting documentation (the "February Supplemental Response"). **(Exhibit 3 to the Resolution.)**

V. STANDARD OF REVIEW

Education Code Section 47607(c)(1) provides that a charter may be revoked "through a showing of substantial evidence" that the charter school violated one of the conditions of revocation set forth therein. Evidence is "substantial" if any reasonable trier of fact could have considered it reasonable, credible, and of solid value. Substantial evidence is relevant evidence that a reasonable mind might accept as adequate to support a conclusion. A conclusion may be supported by substantial evidence even if reasonable

people could disagree as to the conclusion.¹⁰ In addition, as noted above, effective January 1, 2013, Section 47607(c)(2) of the Education Code was added to provide that the authority that granted the charter shall consider increases in pupil academic achievement for all groups served by the charter school as the most important factor in determining whether to revoke a charter.

VI. SUBSTANTIAL EVIDENCE REGARDING VIOLATIONS

The recommendation to revoke the AIMS charters is based on substantial evidence that AIMS committed violations of the law and of its charters; engaged in fiscal mismanagement; and failed to follow generally accepted accounting principles.

1. *The founder improperly received \$3.8 million in public funding through contracts with AIMS that violated conflict of interest laws.*

Contracts between AIMS and its founder violated the Political Reform Act (Government Code Section 87100 *et seq.*), Government Code Section 1090, and AIMS' charters. These contracts, which included leases for all three school sites, were entered into between AIMS and companies owned by the founder and/or his spouse.

The founder and/or his spouse profited in the amounts indicated below from their contracts with AIMS.

Beneficiary	Nature of Services	Dates of Transactions	Amount
ADS/Lumbree (Ben Chavis, Owner)	Lease, Construction	2007-2008	\$ 348,500
American Delivery Systems (Ben Chavis, Owner)	Construction	7/1/09-12/31/11	\$ 38,000
AAFS (Marsha Amador, Owner)	Financial Services	7/1/09-12/31/11	\$ 325,833
Lumbree Holdings (Ben Chavis, Owner)	Rent and Storage	7/1/09-Present	\$1,338,065
American Delivery Systems (Ben Chavis, Owner)	Rent and Storage	7/1/09-Present	\$1,109,495
SAIL	Summer Mathematics Program	7/1/09-12/31/11	\$ 458,000
OASES	ASES Grant Administration	7/1/10-12/31/11	\$ 105,000
Lumbree Holdings	Unrecovered Escrow	1/1/09 – 9/30/09	\$ 30,000

¹⁰ *Kearl v. Board of Medical Quality Assurance*, 189 Cal.App.3d 1040 (1986); *Estate of Teed*, 112 Cal.App.2d 638, 644, 247 P.2d 54 (1952); *Polanski v. Super*, Ct 180 Cal.App.4th 507, 537 (2009).

Beneficiary	Nature of Services	Dates of Transactions	Amount
(Ben Chavis, Owner)	Deposit		
Ben Chavis	Wages	7/1/09 – 12/31/11	\$ 130,265
Ben Chavis	Unsupported Credit Card Charges, including AZ charter formation	7/1/09 – 12/31/11	\$ 25,748
Marsha Amador	Financial Services	7/1/09 – 12/31/11	\$ 30,000
TOTAL			\$ 3,939,336

a. The contracts with the founder violated the Political Reform Act.

The Political Reform Act prohibits public officials—including officers and employees—from entering into any contract in which they hold a financial interest. The regulations implementing the Political Reform Act contain an eight-step test to determine whether a conflict of interest exists.

As shown below, all eight steps apply to the founder’s contracts with AIMS. The contracts, therefore, violated the Political Reform Act.

Step	Criteria	Application
1:	Is a “public official” involved?	Yes: The founder was director of AIMS schools, and a board member briefly. ¹¹
2:	Is the public official making, participating in making, or influencing or attempting to influence a governmental decision?	Yes: The founder wrote checks from AIMS bank accounts to his own companies.
3:	Does the public official have an “economic interest” involved in the decision?	Yes: AIMS funds were paid directly to the founder’s companies.
4:	Are the public official’s economic interests directly or indirectly involved in the decision?	Yes: The founder directly benefited from contracts.
5:	What materiality standard applies?	Yes: The founder’s financial interest was material.
6:	Are public official’s economic interests materially affected by the decision? Are they important enough to trigger a conflict as defined by the Political Reform Act?	Yes. The founder was directly paid through the contracts.
7:	Does the “Public Generally” exception apply?	No. The founder and his spouse were the sole parties receiving payment from AIMS under these contracts.
8:	Is the public official’s participation legally required?	No. No steps were taken to recuse or abstain. In fact, the founder wrote checks to himself.

¹¹ See Government Code Section 82048 (including employees under the Political Reform Act); *Wilson v. State Board of Education* (1999) 75 Cal.App.4th 1125 (charter school officials are public officials); FPPC Advice Letter 98-234 (charter school officials subject to Political Reform Act.)

b. The contracts violated the AIMS Charters.

The AIMS charters expressly state that the Board will comply with the Political Reform Act.¹² Because the contracts violated the Political Reform Act, the contracts violated AIMS charters as well.

c. The contracts violated Government Code Section 1090.

Government Code Section 1090 prohibits public officials—including officers and employees—from entering into any contract in which they hold a financial interest.¹³ Government Code Section 1090 applies even where a public official or employee does *not* participate in the execution of the questioned contract. (*People v. Sobel*, 40 Cal.App.3d 1046, 1052 (1974).) Under Government Code Section 1090, the AIMS Board was prohibited from entering into any of the contracts with the founder's companies.

2. *AIMS failed to maintain financial or operational control over AIMS operations, which resulted in the following:*
 - a. Inappropriate use of AIMS credit cards **(NOV at pp 21-22)**;
 - b. Forgery of an attendance record **(NOV at p 23)**;
 - c. Non-compliance with teacher credentialing requirements **(NOV at pp 23-24)**; and
 - d. Violation of the After School Education and Safety (ASES) Program grant terms **(Exhibit 10 to the Resolution)**.
3. *AIMS failed to follow Generally Accepted Accounting Principles (GAAP).*
 - a. AIMS failed to maintain documentation of fiscal transactions **(NOV at pp 25-27)**; and
 - b. AIMS failed to disclose losses, such as those from an improper real estate escrow transaction. **(NOV at p 22 and Exhibit 2 to the Resolution.)**

VII. AIMS Failed to Remedy the Violations that Gave Rise to the Revocation Proceedings.

- A. *AIMS failed to institute acceptable institutional reforms to safeguard against future conflict of interest violations.*

AIMS has still not unconditionally acknowledged the conflict of interest violations. AIMS new conflict of interest policy does not sufficiently safeguard against future conflict of interest violations. The revised policy contains only a recitation of the barebones requirements of the Political Reform Act. The policy also fails to address compliance with Government Code Section 1090.

¹² AIPCS Charter, Governance (Section IV), pp. 32-33 (0053-0104); AIPCS II Charter, Governance (Section IV), pp. 31-32 (0105-0157); AIPHS Charter, Governance (Section IV), pp. 30-31 (0001-0052).

¹³ The founder's financial interests *do not* fall into any of the exemptions to the law; the founder's interests were neither "remote" nor "non-interests."

Moreover, AIMS has not instituted an adequate system of checks and balances to prevent future conflicts. AIMS has not implemented any permanent or ongoing training regarding conflicts, nor has it implemented a sufficient procedure for clearing conflicts in advance of transactions. AIMS Fiscal Administrator Diane Hatcher stated at the January 23, 2013 OUSD Board meeting that she conducts a review of all contracts for conflict of interest violations. AIMS submitted no documentation, however, describing the procedures or criteria for this review, and did not identify any additional training or support provided to ensure that the review incorporated all applicable conflict of interest laws.

B. AIMS failed to retain or contract for sufficient institutional expertise, such as a charter management organization.

In the February Supplemental Response, AIMS stated it requested and received a contract with the Charter School Management Corporation (CSMC) for “comprehensive back-office services and charter vision access.” This statement is misleading. According to CSMC, AIMS has never entered into a contract with CSMC. Indeed, according to CSMC staff, CSMC would not have entered into an agreement with AIMS unless AIMS had made significant governance changes.¹⁴

In fact, in its November Response, AIMS denied the need for a Charter Management Organization, citing the cost. (Binder 3.) Therefore, not only was AIMS February Supplemental Response misleading, it contradicted the statement in the November Response that AIMS declined to retain a CMO for financial reasons.

C. AIMS failed to institute acceptable changes in its financial and operational procedures to ensure that future fiscal mismanagement does not occur.

In its February Supplemental Response, AIMS stated that it has a contract with Mr. Martin to “ensure productive fiscal management of AIM Schools.” AIMS contract with Mr. Martin does not constitute a sufficient remedy to address its history of financial mismanagement. AIMS provided no details about what services Mr. Martin will provide to AIMS or whether he will have any authority to implement necessary changes. Moreover, the representation by AIMS that Mr. Martin has “over 10 years of experience in financial procedures with charter schools” is exaggerated. Mr. Martin’s résumé demonstrates that he has little more than two years of experience in charter school finance. In short, Mr. Martin does not have the experience necessary to implement an overhaul of financial practices at AIMS.

Other steps taken by AIMS to institute changes to its financial and operational procedures are also insufficient. AIMS has retained new personnel in the area of fiscal operations but the new staff members have little experience in the public sector. AIMS has retained a new auditor, Vavrinek, Trine & Day LLP, but the auditor is responsible for annual financial audits, not everyday financial operations.

¹⁴ Nick Driver of CSMC told District Staff that CSMC sent AIMS a proposal, but “we never heard back from them. We would not have worked with them unless they were ready to make significant governance changes.”

D. AIMS failed to institute structural or permanent changes to the governing board.

None of the measures identified by AIMS constitutes the significant institutional reform required to remedy the many violations identified by FCMAT and the Notice of Violations and Notice of Intent to Revoke. The AIMS Board has undergone significant turnover and Board members who shared dissenting views have been removed.¹⁵ The AIMS Board was unable to sustain a relationship with any of the attorneys¹⁶ and consultants that it retained. Moreover, as is set forth below, AIMS submitted misleading information to the District during these revocation proceedings under the current Board leadership.

E. AIMS failed to adequately ensure a proper separation between the founder and the organization.

The AIMS Board has not indicated any intent to file lawsuits against the founder and/or his spouse or to take any other steps to disgorge any of the funds arising from the interested contracts, as was urged in the District's January 24, 2013 Notice of Intent to Revoke. (**Exhibit 1 to the Resolution, p. 26.**)

AIMS claims that it sent a letter dated June 23, 2012 to the founder addressing the issue of separation. As is noted immediately below (Section VIII), this letter is contradicted by information in AIMS Board meeting minutes.

VIII. AIMS RESPONSES CONTAIN MISLEADING INFORMATION

AIMS submitted misleading documentation in response to the Notice of Violation and Notice of Intent to Revoke. For example:

1. AIMS submitted a letter dated June 23, 2012 from the "AIMS School Board President" that purported to notify the founder and his spouse that they must cease interacting with the AIMS community. (**Exhibit 4 to**

¹⁵ At July 17, 2012 meeting, the AIMS board voted to remove members Michael Stember and Chris Rodriguez, who had advocated for a third-party investigation into the findings in the FCMAT Report. (Exhibit 6 and 7 to the Resolution.)

¹⁶ Jennifer McQuarrie was retained by the AIMS Board on June 19, 2012. Ms. McQuarrie subsequently advised the District Charter Office that she voluntarily terminated the day after AIMS Board Directors Rodriguez and Stember were removed from the Board. Paul Minney was retained by AIMS from September 7, 2012 to October 8, 2012. The records provided to the District indicate that Mr. Minney conducted a governance workshop for the AIMS Board at its 8/31/12 meeting and that the contract to retain him was approved at the September 7, 2012 AIMS Board meeting. Mr. Minney also attended a meeting on September 20, 2012 with the District's Charter Office and legal counsel for the District, John Yeh, to discuss the NOV. On October 8, 2012, in response to an e-mail inquiry from legal counsel for the District, Mr. Minney advised the District that he no longer represented AIMS.

the Resolution.) The District, however, cannot verify the authenticity of this letter, and the documentation in the record suggests that the letter is not authentic:

Minutes from the June 24, 2012 AIMS Board meeting—which took place one day after the letter was purportedly sent—state that no letters were sent regarding the separation of the founder. The minutes state: “[r]eview and approve notices to Dr. Ben Chavis and Mrs. Marsha Amador, school staff, parents and students regarding Dr. Ben Chavis continued relationship with AIMS schools: No action was taken. Mr. Chris Rodriguez says the committee consisting of the President, Ms. Jackson and Mr. Rodriguez was unable to reach a consensus.” **(Exhibit 5 to the Resolution.)** District staff attending the meeting reported that Board member Chris Rodriguez explicitly stated that he and Ms. Jackson-Martinez had decided *not* to send any letters at that time.¹⁷

2. AIMS submitted a written statement signed by three former AIMS Board members claiming that the AIMS board approved the contracts with the founder’s company (ADS) with full knowledge of his financial interest. This claim is not supported by AIMS Board agendas and minutes, which show that the contracts were not even considered during those meetings. Moreover, not all of the individuals signing the statement were in attendance at those meetings. **(Exhibit 2, Exhibit Rev-B thereto to the Resolution.)**¹⁸
3. AIMS submitted a memorandum dated July 15, 2011 that purported to reprimand former AIMS director Sophath Mey and reassign her to the position of Site Administrator. In fact, Ms. Mey provided a declaration that she never received the July 15, 2011 memorandum, though AIMS submitted it in its November Response as documentary evidence in support of its claim that it had remedied the allegations of lack of fiscal control. **(Exhibit 8 to the Resolution.)**
4. AIMS claimed that the founder sent a November 18, 2010 memorandum to Mey stating that OASES¹⁹ would not charge AIMS the 15 percent administrative fee for administration of the ASES grant. AIMS submitted

¹⁷ It is further noted that at its July 17, 2012 meeting, the AIMS board voted to remove members Michael Stember and Chris Rodriguez, who had advocated for a third-party investigation into the findings in the FCMAT Report. (Exhibit 6 and 7 to the Resolution.)

¹⁸ Amy Cai is listed as serving from 2004-2006, and appears in minutes from 2005-2006, though not for the 1/20/06 meeting. She is listed as a “guest” in attendance at the 3/15/07 meeting, indicating that she was no longer on the Board at that time. Atiba/Sylvia Thomas appears in minutes more sporadically from 2005-2007. She was not in attendance on 1/20/06, but was on 3/15/07.

¹⁹ OASES, a company in which Dr. Chavis has an ownership interest, provides oversight to charter schools. It was paid \$105,000 by AIMS to administer the ASES grant from July 2010 to December 2011.

this documentation in support of its claim that it did not exceed the threshold for administrative services in spending the ASES grant funds. Mey provided a declaration that she never received this memorandum. **(Exhibit 8 to the Resolution.)**

IX. Consideration of Student Achievement

Effective January 1, 2013, Section 47607(c)(2) of the Education Code was amended to provide that the authority that granted the charter shall consider increases in pupil academic achievement for all groups served by the charter school as the most important factor in determining whether to revoke a charter.

Although the performance of AIMS students is an important factor in its decision, the Staff believes that AIMS failure to remedy the conflict of interest violations, its failure to institute sufficient changes to the management of the AIMS organization, its failure to institute structural or permanent changes to the governing board, its failure to take action to recover the public funds intended for AIMS students paid to Dr. Chavis, and its lack of candor in response to the District's revocation proceedings, outweigh all other factors in considering whether to revoke the AIMS charters, including the schools' academic performance.

X. RECOMMENDATION

The Superintendent and his staff have considered the Notice of Violation, AIMS November Response to the Notice of Violation, the Notice of Intent to Revoke, AIMS February Supplemental Response, the public testimony at the September 23, 2012 and January 23, 2013 OUSD Board meetings, and the public testimony at the February 27, 2013 public hearing. The Board has also considered the academic performance of the three AIMS schools on the 2012 Academic Performance Index ("API") Test:

AIPCS: 974 API
AIPCS II: 981 API
AIPHS: 928 API

The District acknowledges that the AIMS charter schools have a track record of high academic performance. Charter law, however, makes the District the steward of all aspects of a charter school's operations, not just academic performance. In addition to ensuring that the AIMS schools meet their educational objectives, the District also has an obligation under the law to ensure that AIMS properly uses public funds, that it does not engage in fiscal mismanagement, and that applicable laws are followed. In short, the District has an obligation to ensure that the AIMS schools meet their legal and ethical obligations, both inside and outside the classroom.

Revocation, in response to acts of fiscal misconduct, is a required part of a district's oversight responsibilities. Education Code Section 47604(c) states that "[a]n authority that grants a charter to a charter school to be operated by, or as, a nonprofit public benefit corporation is not liable for the debts or obligations of the charter school, or for

claims arising from the performance of acts, errors, or omissions by the charter school, *if the authority has complied with all oversight responsibilities required by law ...*" (Emphasis Provided.) As the court stated in *California School Boards Ass'n v. State Bd. of Education* .:

The chartering of a school and the charter school's compliance with the law, the regulations, and the conditions imposed on its charter can be matters of serious concern to the public and to our public school system. . . . If monitoring and enforcement are, in reality, either lax or nonexistent, then the entire statutory scheme governing charter schools is called into question. Local school districts and county boards of education, as well as parents and teachers, have a right to expect that charter schools will hew not just to the law, but to their charters and the conditions imposed upon them through official action taken at a public hearing. 186 Cal.App.4th 1298 at 1326 (2010)

Therefore, the courts recognize that the District has an obligation to its pupils, parents, employees, and communities to perform its legal duties and ensure that its charter schools are following the law and properly using public funds.

The District must balance the academic performance of AIMS schools against this weighty legal obligation. As has been noted above, the AIMS board committed and permitted conflict of interest violations, failed to recognize or acknowledge those violations, and failed to institute any meaningful institutional reform to prevent their recurrence. The AIMS Board refused to institute sufficient changes in its operations, governance, or financial practices that would have resulted in the AIMS Board relinquishing any measure of power to any third party. The significant turnover in AIMS Board members, attorneys, and consultants are symptomatic of an institutional resistance to dissenting views and change.

The Superintendent therefore recommends that under Education Code Section 47607(c), the Board of Education **revoke** the charter granted to American Indian Model Schools (AIMS) for the operation of American Indian Public Charter School, American Indian Public Charter School II, and the American Indian Public High School, on the grounds that AIMS:

1. Committed a material breach of a condition, standard, or procedure set forth in the charter (Education Code Section 47607(c)(1)(A));
2. Failed to meet generally accepted accounting principles, and engaged in fiscal mismanagement (Education Code Section 47607(c)(1)(C)); and
3. Violated a provision of law (Education Code Section 47607(c)(1)(D)).