



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:

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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)

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.

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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 agendaized 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

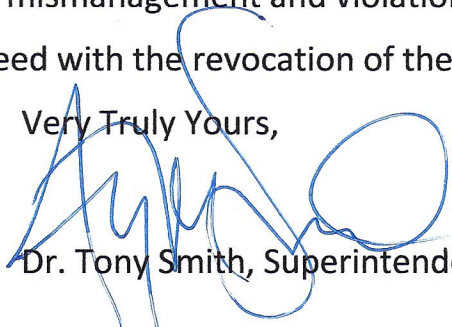
cannot occur without AIMS explicitly addressing this issue to the satisfaction of the District.

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

Notice of Intent to Revoke
January 24, 2013
Page 35 of 35

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

Notice of Intent to Revoke
January 24, 2013

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. Lopez 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 Realty 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

Rosie 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 or attorney fee plus expenses.



**AMERICAN INDIAN
PUBLIC CHARTER SCHOOL**
3837 MAGEE AVENUE
OAKLAND, CA 94619
(510) 482-6000

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

480

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	Payment
9/18/2007	Bill		38,000.00	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	Payment
9/18/2007	Bill		38,000.00	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

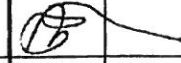
Proposed by:

Approved by:


Lumbee Holdings, LLC

4/2/07
Date

 4-22-07
AIPCS Board member Date


AIPCS Board member

4-2-07
Date



PCS II
 12TH STREET
 OAKLAND, CA 94607

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

101

9/13/2007

\$35,000.00

ORDER OF Lumbee Holdings

Thirty-Five Thousand and 00/100

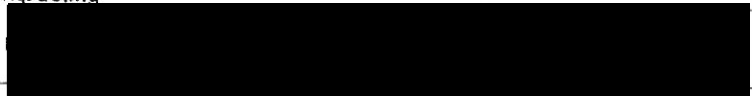
DOLLAR

Lumbee Holdings

Sen

MEMO

classrooms remodeling



PCS II

101

Lumbee Holdings

Date	Type	Reference	Original Amt.	Balance Due	9/13/2007 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

Date	Type	Reference	Original Amt.	Balance Due	9/13/2007 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

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