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**AGENDA ITEM:** Settlement Agreement – International Charter School of Arizona, Inc.

**Issue**

International Charter School of Arizona, Inc. has submitted a Settlement Agreement to resolve the Notice of Intent to Revoke Charter for failure to comply with state law and its charter when it failed to timely submit its FY2013 Audit.

**Background**

At its meeting on January 13, 2014, the Board voted to issue a notice of intent to revoke the charter of International Charter School of Arizona, Inc. for failure to comply with state law and its charter when it failed to timely submit its FY2013 Audit.

A hearing on this matter is set for April 24, 2014 before Administrative Law Judge Tully at the Office of Administrative Hearings.

International Charter School of Arizona, Inc. submitted its FY 2013 Audit to the Board on January 20, 2014. The state aid apportionment withheld from International Charter School of Arizona, Inc. was released.

International Charter School of Arizona, Inc. scheduled a meeting of its governing board for February 27, 2014 to consider and adopt the terms of the Settlement Agreement proposed by Board staff.

A copy of the signed Settlement Agreement and documentation of the approval of the terms of the agreement have been provided.

**Board Options**

Option 1: The Board may adopt the terms of the Settlement Agreement and vacate the revocation hearing. Staff recommends the following language for consideration: I move that the Board adopt the Settlement Agreement for International Charter School of Arizona, Inc. as presented and vacate the scheduled revocation hearing.

Option 2: The Board may take no action and proceed with the revocation hearing as scheduled.

**BEFORE THE ARIZONA STATE  
BOARD CHARTER SCHOOLS**

In the matter of:

**INTERNATIONAL CHARTER  
SCHOOL OF ARIZONA, INC.**, a  
non-profit corporation, operating  
**INTERNATIONAL CHARTER  
SCHOOL OF ARIZONA**, a charter  
school

No. 14F-RV-002-BCS

**SETTLEMENT AGREEMENT**

This Agreement is entered into by International Charter School of Arizona, Inc., a non-profit corporation operating International Charter School of Arizona, a charter school, and the Arizona State Board for Charter Schools (“Board”), by and through their authorized representatives, and provides the following terms and agreement:

**FINDINGS OF FACT**

1. International Charter School of Arizona (“the School”) is a charter school established pursuant to Arizona Revised Statutes (“A.R.S.”) § 15-181 *et seq.*
2. The School operates pursuant to a charter contract (“charter” or “contract”) between International Charter School of Arizona, Inc. (“International”), a non-profit corporation organized under the laws of the state of Arizona, and the Board.
3. Laurent Badoux is the Charter Representative and the person authorized to obligate International.
4. Pursuant to A.R.S. § 15-183 and the charter contract, the Board sponsors International to operate one school site to serve students in grades five through twelve.
5. A charter between International and the Board was executed in May 2011.

6. The charter of International and the Board requires that International comply with all state, federal and local laws applicable to the operation of a charter school.

7. International's annual audit reporting package for the fiscal year ending June 30, 2013 ("FY 2013 Audit") was due to the Board by November 15, 2013.

8. International did not submit its FY2013 Audit to the Board by November 15, 2013.

9. Pursuant to A.R.S. § 15-185(H), at its meeting on November 21, 2013, the Board determined that International was not in compliance with state law and its charter as a result of the non-submission of its FY 2013 Audit. The Board subsequently submitted a request to the Arizona Department of Education to withhold ten percent of the monthly apportionment of state aid that would otherwise be due International.

10. At its meeting on January 13, 2014, the Board voted to issue a notice of intent to revoke the charter of International for failure to comply with state law and its charter when it failed to timely submit its FY2013 Audit.

11. International submitted its FY 2013 Audit to the Board on January 20, 2014. The state aid apportionment withheld from International was released.

### **CONCLUSIONS OF LAW**

12. A.R.S. § 15-183(R) provides that the Board has oversight and administrative responsibility for the charter schools that it sponsors.

13. A.R.S. § 15-183(I)(3) provides that the Board may revoke a charter at any time if the charter school breaches one or more provisions of its charter or if the sponsor determines that the charter holder has failed to comply with charter school statutes or any provision of law from which the charter school is not exempt.

14. The charter between International and the Board provides that the Board may revoke the charter for any breach of the charter and/or violation of state, federal or local laws, ordinances or rules or regulations; or for conditions which threaten the health, safety, or welfare of the students or staff of the School or of the general public.

15. A.R.S. §§ 15-183(E)(6) and -914 and the charter require that International undergo an annual financial and compliance audit by an independent certified public accountant.

16. Audit contracts and the completed audit reports for schools sponsored by the Board must be approved by the Board. A.R.S. § 15-914; Arizona Administrative Code R7-5-502 and R7-5-503.

17. International breached its charter and A.R.S. §§ 15-183(E)(6) and -914 when it failed to timely submit its FY2013 Audit.

### **CONSENT TERMS AND ORDER**

18. The Board and International agree that because of the Board's decision to issue a Notice of Intent to Revoke Charter and Notice of Hearing, International is subject to the termination of its charter and the revocation of its charter.

19. The Board and International agree that A.R.S. §§ 15-183(Q) and 41-1092.07(F)(5) provide that informal disposition of this matter may be made by stipulation, agreed settlement, consent order or default.

20. In consideration of the Board foregoing its option to proceed with the revocation proceedings and to hold a hearing, and International waiving its right to a hearing and providing its defense, except as set forth herein, it is in the best interests of the Board and International to mutually resolve this matter.

21. By entering into this Agreement, International agrees to the factual findings and conclusions of law set forth in this Agreement and understands that it cannot contest any of these findings or conclusions in the future.

22. International agrees to submit a complete annual audit reporting package for the fiscal year ending June 30, 2014 by November 15, 2014. International agrees to submit a complete annual audit reporting package for all subsequent fiscal years of its operation by November 15 of the following fiscal year.

23. The Board and International agree that if International fails to comply with the terms and conditions of this Agreement, the Board may, on no less than thirty (30)

calendar days notice, hold a hearing at which time the Board will receive information to determine whether evidence exists that International failed to comply with the terms and conditions of this Agreement. International shall be entitled to present all appropriate evidence at this hearing. If the Board determines that a breach of this Agreement has occurred, the Board may revoke International's charter to operate the School and terminate its charter contract for breach of this Agreement.

24. This Agreement is not binding on either party until both the Board and International's governing board accept it by the number of votes necessary to pass a measure at a public meeting. The Agreement is effective immediately upon its approval and execution by the authorized representatives of the Board and International.

25. If International rejects this Agreement or any part of it, then this Agreement is null and void and not binding on the parties and the Board is free to proceed with the charter revocation hearing.

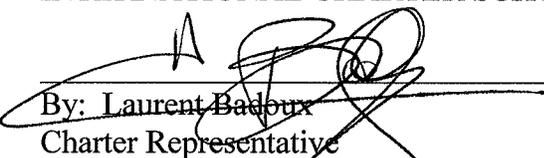
26. International understands that it has the legal right to consult with an attorney prior to entering into this Agreement.

27. Each party is responsible for its own attorney's fees and costs in this matter.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2014 for  
ARIZONA STATE BOARD FOR CHARTER SCHOOLS

\_\_\_\_\_  
By: Janna Day  
President  
Arizona State Board for Charter Schools

Signed this 27<sup>th</sup> day of February, 2014 for  
INTERNATIONAL CHARTER SCHOOL OF ARIZONA, INC.  
INTERNATIONAL CHARTER SCHOOL OF ARIZONA

  
\_\_\_\_\_  
By: Laurent Badoix  
Charter Representative  
INTERNATIONAL CHARTER SCHOOL OF ARIZONA, INC.

COPY mailed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2014 to:

International Charter School of Arizona, Inc.  
Attention Charter Representative: Laurent Badoux  
1973 East Maryland  
Phoenix, AZ 85016

COPY sent via email this \_\_\_\_\_ day  
of \_\_\_\_\_, 2014 to:

Kim S. Anderson  
Assistant Attorney General  
Education and Health Section  
1275 West Washington  
Phoenix, Arizona 85007

By \_\_\_\_\_

International Charter School of Arizona, Inc  
Minutes of the Meeting of the Board of Directors  
Held February 27, 2014

The meeting convened at 3:10 pm at the 4710 East Baseline Road in Mesa, AZ. Present were Ryan Christensen, Jerad Hunsaker, Michael Scott and Laurent Badoux (by Phone). Members absent Gordon Digby. Chairman Ryan Christensen conducted the meeting. Members of the public present were Michelle Shelby (by phone joined at 4:01)

1. Minutes of the previous regular meeting had been previously emailed to the members. No Corrections were requested. Jerad moved and Mike seconded to accept the minutes. Voting was unanimous in the affirmative.
2. FY2013 Audit was presented to the board. Discussion of findings and possible corrective action plans were discussed. There was discussion regarding the settlement statement agreement presented by ASBCS Staff.
  - a. Ryan motioned to accept the terms presented by ASBCS staff and that the agreement be signed.
  - b. Jerad Seconded the motion
  - c. All board members agreed.
3. The board discussed options and information gathered by Ryan Christensen & Laurent Badoux from consultants, legal and a meeting with ASBCS staff regarding possible relationship options between Hillcrest Academy and International Charter School of Arizona. The pros and cons of maintaining a Charter Management Agreement were discussed. The Pros and Cons of merging both entities were discussed. Ryan motioned and Jerad Seconded that with the approval of Arizona State Board for Charter Schools (ASBCS) approval, Hillcrest Academy and International Charter School of Arizona work to merge together in the following order 1) align the two boards with the same membership 2) align the Mission and Vision of each 3) align the program of instruction of each and 4) align grade levels so that there are no overlapping grades. Voting was unanimous in the affirmative.
4. Upon Approval from ASBCS, ICSA accepts Michelle Shelby as a new board member.
  - a. Ryan motioned to accept Michelle Shelby as a new board member for International Charter School of Arizona.
  - b. Mike seconded the motion
  - c. All board members agreed.
5. The Board was presented with a revised Mission and Vision statement.
  - a. Jerad motioned to accept Upon Approval from ASBCS, the new mission and vision statement as presented.
  - b. Mike seconded the motion
  - c. All board members agreed
6. The Board discussed using Hillcrest Academy's Logo and Name for marketing. The benefits of cost sharing were identified and that this fit with the long term goal of working towards merging the entities.

- a. Ryan motioned that with the approval of ASBCS, ICSA change the school name to Hillcrest Academy High and that once approved file with the state of Arizona a doing business as Hillcrest Academy
  - b. Jerad Seconded the motion
  - c. All board members agreed
7. The Board was presented with a revised aligned program of instruction
  - a. Mike motioned to accept Upon Approval from ASBCS, the revised program of instruction
  - b. Ryan seconded the motion
  - c. All board members agreed
8. The board discussed the progress on facilities. The board was presented with the ability to move the school site from its Maryland location into an existing facility located 40<sup>th</sup> Street and Paradise Lane. The Board discussed the benefits of the site and the ability suitable of its Mission and Vision. The Board discussed the growing demand in the area of the site and the ability to fill the school with current demographics.
  - a. Jerad motioned and Mike seconded that with ASBCS approval, ICSA enter into a lease agreement effective 7/1/2014 on the new build-to-suite location.
  - b. All board members agreed Ryan Abstained.
9. The Board discussed new facilities in Mesa to align with Hillcrest. The board was presented with the ability to enter into a build to suite lease agreement for a new facility located at South of the South East Corner of Power Road and Elliot. The Board discussed the benefits of the new site and the ability to build a building suitable to its Mission and Vision. The Board discussed the growing demand in the area of the new site and the ability to fill the school with current demographics.
  - a. Jerad motioned and mike seconded that with ASBCS approval for an expansion site, that Hillcrest enters into a lease agreement effective 7/1/2014.
  - b. All board members agreed. Ryan Abstained.
10. The board discussed the grade levels of each charter and discussed dropping 5<sup>th</sup> and 6<sup>th</sup> grade off the ICSA Charter to align with Hillcrest.
  - a. Ryan motioned that upon Approval from ASBCS, to remove the 5<sup>th</sup> and 6<sup>th</sup> grades from the ICSA Charter effect 7/1/2014 if ASBCS also approves site relocation, site expansion and enrollment cap increase.
  - b. Jerad seconded the motion
  - c. All board members agreed.

Meeting Adjourned at 4:47pm

The undersigned hereby certifies that he is the duly elected and qualified Secretary and the custodian of the books and records of Hillcrest Academy, Inc., and that the foregoing is a true record of the proceedings of the meeting of the Board of Directors mentioned above.



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Michael Scott, Secretary