
AGENDA ITEM: Compliance Matters – Arizona Academy of Science & Technology**Issue**

Based on its submitted fiscal year 2016 audit, Arizona Academy of Science & Technology (AAST) was delinquent in remitting its state payroll tax deposits and unemployment insurance taxes for three of the past five fiscal years, resulting in two serious impact findings. Further, based on its submitted fiscal year 2016 audit, AAST was delinquent in remitting federal tax deposits for three of the past five fiscal years. Pursuant to Arizona Administrative Code R7-5-504(H) and the Board's [Audit & Compliance Questionnaire Follow-up Matrix](#), AAST has been placed on the agenda for the Board's consideration because of the serious impact findings.

Background

This year, AAST is undergoing its first five-year interval review under its renewal charter contract. AAST operates one school, Arizona Academy of Science & Technology, serving grades K-8 in Phoenix. For fiscal year 2018, AAST is reporting an average daily membership (ADM) of 31.927 as of January 3, 2018.¹ AAST's academic performance and performance under the Board's operational and financial performance frameworks has been included in Appendix A. Additional Background Information.

On August 18, 2016, AAST filed for Chapter 11 bankruptcy protection.

State Payroll Tax Deposits and Unemployment Insurance Taxes

State law requires AAST to pay taxes required to be deducted and withheld from wages of its employees into the general fund of the State of Arizona. AAST's fiscal years 2012, 2014 and 2016 audits found that AAST was delinquent in remitting its state payroll tax deposits to the Arizona Department of Revenue (ADOR) for three of the past five fiscal years. According to the fiscal year 2016 audit, AAST owed payroll taxes, penalties and interest totaling \$3,634 to the ADOR for fiscal year 2016.

State law requires AAST to pay unemployment insurance taxes into the state's unemployment compensation fund. AAST's fiscal years 2012, 2014 and 2016 audits found that AAST was delinquent in remitting its unemployment insurance taxes to the Arizona Department of Economic Security (ADES) for three of the past five fiscal years. According to the fiscal year 2016 audit, AAST owed taxes, penalties and interest totaling \$2,639 to the ADES for fiscal year 2016.

The fiscal year 2016 audit indicated AAST was working on payment plans with the ADOR and ADES through the Chapter 11 bankruptcy process.

Between January 2017 and January 2018, Board staff and AAST communicated regarding these matters. Based upon a review of the information provided:

- AAST did not timely remit all state payroll tax deposits and unemployment insurance taxes for the period of August 19, 2016 through June 30, 2017.
- The federal bankruptcy court approved AAST's reorganization plan on July 24, 2017.² The reorganization plan includes \$4,895.96 in state payroll tax deposits owed to the ADOR and \$3,068.50 in unemployment insurance taxes owed to ADES, including amounts from fiscal year 2017.

¹ AAST's ADM for fiscal years 2014 through 2018 has been provided in Appendix: A. Additional Background Information.

² AAST's reorganization plan is percentage based over five years, with 10% of AAST's state equalization being applied to satisfy the plan and respective creditors, including the ADOR, ADES and IRS.

- AAST has provided evidence that it made the payments required under its reorganization plan through December 2017.
- AAST has provided evidence that it has deposited the required state payroll tax deposits and unemployment insurance taxes amounts for payrolls that occurred between July 1, 2017 and September 30, 2017.

On November 15, 2017, the Board received AAST's fiscal year 2017 audit, which affirmed information previously obtained by staff that AAST did not remit all state payroll tax deposits and unemployment insurance taxes during fiscal year 2017.

Federal Tax Deposits

Federal law requires AAST to pay taxes required to be deducted and withheld from wages of its employees and related taxes into the Treasury of the United States. These federal tax deposits are the income taxes, Social Security and Medicare taxes that AAST is required to withhold from its employees' salaries, plus AAST's share of Social Security and Medicare taxes. AAST's fiscal years 2012, 2013 and 2016 audits found that AAST was delinquent in remitting its federal tax deposits to the Internal Revenue Service (IRS). AAST's fiscal years 2014 and 2015 audits found that AAST was delinquent in remitting federal tax deposits, but also that AAST had made the required payments under its payment plan with the IRS. According to the fiscal year 2016 audit, AAST owed payroll taxes, penalties and interest totaling \$34,698.74 to the IRS for fiscal year 2016 and AAST was working on a payment plan with the IRS through the Chapter 11 bankruptcy process. The fiscal year 2016 audit also indicated that on August 25, 2016, the IRS issued a notice of intent to levy, and on September 21, 2016, AAST filed a request for a collection due process hearing.

Between January 2017 and January 2018, Board staff and AAST communicated regarding this matter. Based upon a review of the information provided:

- AAST did not timely remit all federal tax deposits for the period of August 19, 2016 through June 30, 2017.
- The federal bankruptcy court approved AAST's reorganization plan on July 24, 2017. The reorganization plan includes \$92,892.01 in federal tax deposits owed to the IRS, including amounts from fiscal year 2017 and prior fiscal years.
- AAST has provided evidence that it made the payments required under its reorganization plan through December 2017.
- AAST has provided evidence that it has remitted the required federal tax deposit amounts for payrolls that occurred between July 1, 2017 and September 30, 2017.

On November 15, 2017, the Board received AAST's fiscal year 2017 audit, which affirmed information previously obtained by staff that AAST did not remit all federal tax deposits during fiscal year 2017.

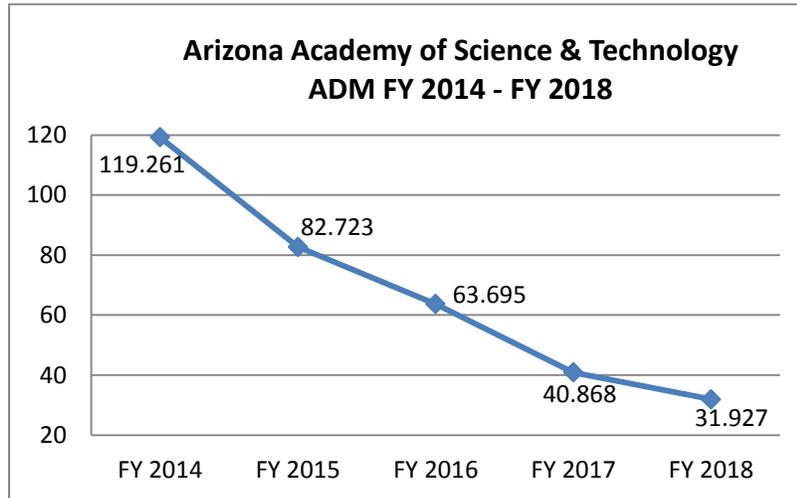
In December 2017, Board staff sent a draft proposed consent agreement to AAST's charter representative. Today's meeting materials include the final proposed consent agreement developed by Board staff and AAST's charter representative (Appendix: B. Proposed Consent Agreement). Should the Board vote today to proceed with the consent agreement, AAST's board will consider the consent agreement at its January 17, 2018 meeting.

APPENDIX A

ADDITIONAL BACKGROUND INFORMATION

I. Average Daily Membership

The graph below shows AAST's 100th day average daily membership (ADM) for fiscal years 2014 through 2018. The fiscal year 2018 ADM is as of January 3, 2018.



II. Academic Performance

School Name	Letter Grade FY 14	Month/ Year Open	Location	Grade Levels Served	Average AzMERIT Passing					
					ELA (FY 17 State Average 39%)			Math (FY 17 State Average 40%)		
					FY 15	FY 16	FY 17	FY 15	FY 16	FY 17
Arizona Academy of Science & Technology	D	August 1998	Phoenix	K-8	38%	11%	<2%	17%	8%	<2%

III. Financial Performance Dashboard

Financial Performance						
Arizona Academy of Science & Technology			Interpreting the Financial Performance Dashboard			
	Fiscal Year 2016		Fiscal Year 2017			
	Near-Term Measures					
Going Concern	Yes	Falls Far Below	Yes	Falls Far Below		
Unrestricted Days Liquidity <30, but ≥15: Does Not Meet <15: Falls Far Below	2.40	Falls Far Below	3.24	Falls Far Below		
Default	Yes	Falls Far Below	No	Meets		
	Sustainability Measures*					
Net Income ≤0: Does Not Meet	(\$267,695)	Does Not Meet	(\$243,386)	Does Not Meet		
Fixed Charge Coverage Ratio <1.10: Does Not Meet	0.03	Does Not Meet	(0.22)	Does Not Meet		
Cash Flow (3-Year Cumulative) Negative: Does Not Meet**	(\$5,617)	Does Not Meet	(\$17,563)	Does Not Meet		
Cash Flow Detail by FY	FY 2016	FY 2015	FY 2014	FY 2017	FY 2016	FY 2015
	(\$22,526)	\$723	\$16,186	\$4,240	(\$22,526)	\$723

Does Not Meet Board's Financial Performance Expectations

* Negative numbers indicated by parentheses.
** Target effective beginning with FY16 audits.

IV. Operational Performance Dashboard

Due to the serious impact findings identified in the fiscal year 2016 audit, AAST does not meet the Board's operational performance expectations (see next page).

Operational Performance Dashboard

Click on any of the measures below to see more information.

Effective July 1, 2017 and going forward:

An "*" means the noncompliance has been addressed under AAC R7-5-505(F), a complete corrective action plan has been received and implementation is required under AAC R7-5-510(C)(1), the charter holder is complying with the terms of an agreement with the Board, or no further action is required at this time.

A**** means a corrective action plan has been assigned by another entity, the appeal window for action taken by another entity has not closed, appeal of an action taken by another entity is pending, or is an issue of noncompliance in which another entity oversees.

Measure	2015	2016	2017	2018
1.a. Does the delivery of the education program and operation reflect the essential terms of the educational program as described in the charter contract?	Meets	Meets	Meets	--
Educational Program - Essential Terms	No issue identified	No issue identified	No issue identified	--
1.b. Does the charter holder adhere with applicable education requirements defined in state and federal law?	Meets	Does Not Meet	Meets	--
Services to Student with Disabilities	No issue identified	No issue identified	No issue identified	--
Instructional Days/Hours	No issue identified	No issue identified	No issue identified	--
Data for Achievement Profile	No issue identified	No issue identified	No issue identified	--
Mandated Programming (State/Federal Grants)	No issue identified	ADE Monitoring CAP - Federal Title Funds	No issue identified	--
2.a. Do the charter holder's annual audit reporting packages reflect sound operations?	Does Not Meet	Meets	Falls Far Below	--
Timely Submission	Yes	Yes	Yes	Yes
Audit Opinion	Unqualified	Unqualified	Unqualified	--
Completed 1st Time CAPs	No issue identified	No issue identified	CAP Not Yet Completed	--
Second-Time/Repeat CAP	State Payroll Taxes State Unemployment Contributions	No issue identified	No issue identified	--
Serious Impact Findings	No issue identified	No issue identified	State Payroll Taxes State Unemployment Contributions	--
Minimal Impact Findings (3+ Years)	No issue identified	No issue identified	No issue identified	--
2.b. Is the charter holder administering student admission and attendance appropriately?	Meets	Meets	Meets	--
Estimated Count/Attendance Reporting	No issue identified	No issue identified	No issue identified	--
Tuition and Fees	No issue identified	No issue identified	No issue identified	--
Public School Tax Credits	No issue identified	No issue identified	No issue identified	--
Attendance Records	No issue identified	No issue identified	No issue identified	--
Enrollment Processes	No issue identified	No issue identified	No issue identified	--
2.c. Is the charter holder maintaining a safe environment consistent with state and local requirements?	Meets	Meets	Meets	--
Facility/Insurance Documentation	No issue identified	No issue identified	No issue identified	--
Fingerprinting	No issue identified	No issue identified	No issue identified	--
2.d. Is the charter holder transparent in its operations?	Meets	Meets	Meets	--
Academic Performance Notifications	No issue identified	No issue identified	No issue identified	--
Teacher Resumes	No issue identified	No issue identified	No issue identified	--
Open Meeting Law	No issue identified	No issue identified	No issue identified	--
Board Alignment	No issue identified	No issue identified	No issue identified	--
2.e. Is the charter holder complying with its obligations to the Board?	Meets	Meets	Meets	--
Timely Submissions	No issue identified	No issue identified	No issue identified	--
Limited Substantiated Complaints	No issue identified	No issue identified	No issue identified	--
Favorable Board Actions	No issue identified	No issue identified	No issue identified	--
2.f. Is the charter holder complying with reporting requirements of other entities to which the charter holder is accountable?	Does Not Meet	Does Not Meet	Falls Far Below	--
Arizona Corporation Commission	No issue identified	No issue identified	No issue identified	--
Arizona Department of Economic Security	Audit CAP (Second Time)	No issue identified	Audit CAP (Third Time)	--
Arizona Department of Education	No issue identified	No issue identified	No issue identified	--
Arizona Department of Revenue	Audit CAP (Second Time)	No issue identified	Audit CAP (Third Time)	--
Arizona State Retirement System	No issue identified	No issue identified	No issue identified	--
Equal Employment Opportunity Commission	No issue identified	No issue identified	No issue identified	--
Industrial Commission of Arizona	No issue identified	No issue identified	No issue identified	--
Internal Revenue Service	Current with Payment Plan	Current with Payment Plan	Audit CAP	--
U.S. Department of Education	No issue identified	No issue identified	No issue identified	--
3. Is the charter holder complying with all other obligations?	Meets	Meets	Meets	--
Judgments/Court Orders	No issue identified	No issue identified	No issue identified	--
Other Obligations	No issue identified	No issue identified	No issue identified	--
OVERALL RATING	Meets Operational Standard	Meets Operational Standard	Does Not Meet Operational Standard	--
BOARD EXPECTATIONS	--	--	Does Not Meet Operational Expectations	Does Not Meet Operational Expectations

APPENDIX B

PROPOSED CONSENT AGREEMENT

CONSENT AGREEMENT

This Consent Agreement (“Agreement”) is made by and between Arizona Academy of Science & Technology (“Charter Operator”), a nonprofit corporation organized under the laws of the state of Arizona and operating Arizona Academy of Science & Technology, a charter school, and the Arizona State Board for Charter Schools (“Board”) collectively referred to herein as the “Parties”.

JURISDICTION

The Board is charged by Arizona Revised Statutes (“A.R.S.”) §§ 15-182(E)(1) and (2) and 15-183(R) with granting charter status to qualifying applicants for charter schools and exercising general supervision over the charter schools it sponsors. A charter is effective for fifteen years. A.R.S. § 15-183(I). The charter may be renewed for successive periods of twenty years. A.R.S. § 15-183(J). The Board may submit a request to the Arizona Department of Education to withhold up to ten percent of the monthly apportionment of state aid that would otherwise be due to a charter school if the Board determines at a public meeting that the charter school is not in compliance with federal law, with the laws of this state or with its charter. A.R.S. § 15-185(H). The Board may revoke a charter of a school it sponsors at any time if the charter school breaches one or more provisions of its charter or if the Board 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. A.R.S. § 15-183(I)(3).

RECITALS

1. The Charter Operator operates Arizona Academy of Science & Technology (“the School”), a charter school, pursuant to a renewal charter contract (“Charter”) executed on April 12, 2013 between the Charter Operator and the Board.

2. Pursuant to A.R.S. § 15-183 and the Charter, the Board sponsors the Charter Operator to operate one school site to serve students in grades kindergarten through eight.
3. Grant Creech is the Charter Representative and person authorized to execute documents on behalf of the Charter Operator.
4. The Charter of the Charter Operator and the Board requires that the Charter Operator comply with all state, federal and local laws applicable to the operation of a charter school.
5. A.R.S. §§ 15-183(E)(6) and 15-914 and the Charter of the Charter Operator and the Board require that the Charter Operator undergo an annual financial and compliance audit, including the completion of a legal compliance questionnaire and procurement compliance questionnaire, by an independent certified public accountant (“Annual Audit”).
6. State law requires the Charter Operator to pay taxes required to be deducted and withheld from wages of its employees (“State Payroll Tax Deposits”) into the general fund of the State of Arizona. A.R.S. § 43-401 et seq.
7. State law requires the Charter Operator to pay unemployment insurance taxes (“Unemployment Insurance Taxes”) into the state’s unemployment compensation fund. A.R.S. §§ 23-701 through 23-757.
8. Federal law requires the Charter Operator to pay taxes required to be deducted and withheld from wages of its employees and related taxes (“Federal Tax Deposits¹”) into the Treasury of the United States. 26 U.S.C. § 3401 et seq. (“Internal Revenue Code”).
9. On August 18, 2016, the Charter Operator filed for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 et seq. (“Bankruptcy Code”).

¹ “Federal Tax Deposits” are the income taxes, Social Security and Medicare taxes that the Charter Operator is required to withhold from its employees’ salaries, plus the Charter Operator’s share of Social Security and Medicare taxes, that must be timely deposited into the U.S. Department of the Treasury.

10. The Charter Operator's Annual Audit for the fiscal years ending June 30, 2012, 2014 and 2016 found that the Charter Operator was delinquent in remitting its State Payroll Tax Deposits to the Arizona Department of Revenue ("ADOR").

11. The Charter Operator's Annual Audit for the fiscal years ending June 30, 2012, 2014 and 2016 found that the Charter Operator was delinquent in remitting Unemployment Insurance Taxes to the Arizona Department of Economic Security ("ADES").

12. The Charter Operator's Annual Audit for the fiscal years ending June 30, 2012, 2013 and 2016 found that the Charter Operator was delinquent in remitting Federal Tax Deposits to the U.S. Department of the Treasury.

13. The Charter Operator's Annual Audit for the fiscal years ending June 30, 2014 and 2015 found that the Charter Operator was delinquent in remitting Federal Tax Deposits to the U.S. Department of the Treasury, but also that the Charter Operator had made the required payments under its payment plan with the Internal Revenue Service ("IRS").

14. On July 24, 2017, the U.S. Bankruptcy Court for the District of Arizona approved the "Order Confirming Debtors' Second Amended Chapter 11 Plan of Reorganization Dated April 7, 2017" ("Charter Operator's Amended Reorganization Plan").

15. The Charter Operator's Amended Reorganization Plan covers \$4,895.96 in State Payroll Tax Deposits owed to the ADOR, \$3,068.50 in Unemployment Insurance Taxes owed to ADES and \$92,892.01 in Federal Tax Deposits owed to the IRS.

16. The Charter Operator's Amended Reorganization Plan requires the Charter Operator to make the payments identified below to the ADOR.

- a. One payment of \$1,262.10 due on or before the effective date of the Charter Operator's Amended Reorganization Plan.

- b. Forty-eight equal monthly payments of \$80.57 commencing on July 15, 2017 and continuing on the 15th day of each month thereafter until paid in full.

17. The Charter Operator's Amended Reorganization Plan requires the Charter Operator to make the payments identified below to the ADES.

- a. One payment of \$225.35 due on or before the effective date of the Charter Operator's Amended Reorganization Plan.
- b. Forty-eight equal monthly payments of \$64.20 commencing on the 15th of the first full month after the effective date of the Charter Operator's Amended Reorganization Plan and continuing on the 15th day of each month thereafter until paid in full.

18. The Charter Operator's Amended Reorganization Plan requires the Charter Operator to make the payments identified below to the IRS.

- a. Five equal monthly payments of \$2,783.71 commencing on the 5th of the first full month after the effective date of the Charter Operator's Amended Reorganization Plan and continuing on the 5th day of each month thereafter followed by one monthly payment of \$2,783.72 on the 5th day of the month.
- b. Forty-eight equal monthly payments of \$196.37 commencing on August 15, 2017 and continuing on the 15th day of each month thereafter until paid in full.
- c. Forty-eight equal monthly payments of \$822.69 commencing on August 15, 2017 and continuing on the 15th day of each month thereafter followed by a final balloon payment of \$36,435.74 due on or before August 18, 2021. If, however, the Charter Operator recovers funds from Charter Asset Management Fund, LP on account of the preference action and after payment

in full of all administrative claims, the Charter Operator will pay the remaining balance due to the IRS in full to the extent of available funds toward the IRS's priority claim, within 60 days of receipt of any funds recovered.

19. The Charter Operator breached its Charter and state law when it failed to timely remit its State Payroll Tax Deposits to the ADOR as identified in the Annual Audit for the fiscal years ending June 30, 2012, 2014 and 2016.

20. The Charter Operator breached its Charter and state law when it failed to timely remit its Unemployment Insurance Taxes to the ADES as identified in the Annual Audit for the fiscal years ending June 30, 2012, 2014 and 2016.

21. The Charter Operator breached its Charter and federal law when it failed to timely remit its Federal Tax Deposits to the U.S. Department of the Treasury as identified in the Annual Audit for the fiscal years ending June 30, 2012, 2013 and 2016.

22. After the failure to timely remit State Payroll Tax Deposits, Unemployment Insurance Taxes and Federal Tax Deposits was again identified in the Annual Audit for the fiscal year ending June 30, 2016, the Board required the Charter Operator to take further corrective action. The corrective action included requiring the Charter Operator to provide evidence to the Board that the Charter Operator's State Payroll Tax Deposits, Unemployment Insurance Taxes and Federal Tax Deposits and corresponding quarterly reports for the fiscal year ending June 30, 2017 had been timely remitted to the ADOR, ADES and IRS.

23. The Charter Operator did not timely remit all State Payroll Tax Deposits, Unemployment Insurance Taxes and Federal Tax Deposits for the period of August 19, 2016 through June 30, 2017. The Charter Operator's Amended Reorganization Plan addresses the

unpaid amounts, which are included as part of the amounts identified in Recital 16a, Recital 17a and Recital 18a.

24. The Charter Operator submitted evidence to the Board that the Charter Operator's Amended Reorganization Plan payments identified in Recital 16a and Recital 17a were timely remitted.

25. The Charter Operator submitted evidence to the Board that the Charter Operator's Amended Reorganization Plan monthly payments identified in Recital 16b, Recital 17b and Recital 18 have been timely remitted through December 2017.

26. The Charter Operator submitted evidence to the Board that the Charter Operator's State Payroll Tax Deposits, Unemployment Insurance Taxes and Federal Tax Deposits for the period of July 1, 2017 through September 30, 2017 were timely remitted.

27. At its public meeting held on January 16, 2018, the Board determined that it has a sufficient basis to issue a Notice of Intent to Revoke the Charter of the Charter Operator on the basis of the Charter Operator's failure to comply with state and federal law and with its Charter when it failed to timely remit its State Payroll Tax Deposits to the ADOR, its Unemployment Insurance Taxes to the ADES and its Federal Tax Deposits to the IRS as demonstrated by three of the Charter Operator's last five Annual Audits. Further, the Board's motion indicated that, but for the bankruptcy filing, the Board would have voted to withhold 10 percent of the monthly apportionment of state aid that would otherwise be due the Charter Operator. The Board's motion provided for the Parties to work toward entering into a consent agreement in lieu of a revocation proceeding and hearing.

AGREEMENT TERMS AND CONDITIONS

The Parties agree as follows:

28. Because of the Board's determination that the Charter Operator is not in compliance with federal law, with the laws of this state or with its Charter, the Charter Operator is subject to the revocation and termination of its Charter.

29. 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.

30. In consideration of the Parties foregoing their option to proceed with the charter revocation proceedings and hearing under A.R.S. § 15-183(I)(3), it is in the best interests of the Board and the Charter Operator to mutually resolve this matter.

The Charter Operator agrees as follows:

31. The Charter Operator waives its right to a charter revocation hearing under A.R.S. § 15-183(I)(3) and to provide its defense, except as set forth herein, on the Recitals set forth in this Agreement.

32. By entering into this Agreement, the Charter Operator agrees to the Recitals set forth in this Agreement and understands that it cannot contest any of the Recitals in the future.

33. This Agreement does not limit other actions the Board may take under the law if it determines that the Charter Operator is not in compliance with its Charter or with state or federal law.

34. The Charter Operator shall remain current in the remittance of its State Payroll Tax Deposits, Unemployment Insurance Taxes and Federal Tax Deposits for fiscal year 2018 through fiscal year 2022. Compliance with this provision shall be demonstrated as follows:

- a. Within 10 business days of January 31, 2018 or on the date that the Charter Operator provides a signed copy of the Agreement to the Board, whichever is later, the Charter Operator shall submit to the Board copies of the completed

reports for the quarter ending December 31, 2017 along with evidence that the Charter Operator timely remitted the associated State Payroll Tax Deposits, Unemployment Insurance Taxes and Federal Tax Deposits.

- b. Within 10 business days of April 30, 2018 and July 31, 2018, the Charter Operator shall submit to the Board copies of the completed reports for the quarter ending March 31, 2018 and June 30, 2018, respectively, along with evidence that the Charter Operator timely remitted the associated State Payroll Tax Deposits, Unemployment Insurance Taxes and Federal Tax Deposits.
- c. The Charter Operator's Annual Audit for the fiscal years ending June 30, 2018 through 2022 reflects no noncompliance issues in the answers to and comments provided for the three legal compliance questionnaire questions identified below.
 - i. Is the school in good standing with the IRS for payroll taxes, income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?
 - ii. Is the school in good standing with the ADOR for payroll taxes, income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?
 - iii. Is the school in good standing with the ADES for state unemployment contributions requirements for the audited fiscal year?

35. The Charter Operator shall timely remit all monthly payments required under the Charter Operator's Amended Reorganization Plan. Compliance with this provision shall be demonstrated as follows:

- a. Within 10 business days of January 15, 2018 or on the date that the Charter

Operator provides a signed copy of the Agreement to the Board, whichever is later, the Charter Operator shall submit evidence to the Board that all required monthly payments for the month of January 2018 have been made to the ADOR, ADES and IRS.

- b. Within 10 business days of the 15th of each month, the Charter Operator shall submit evidence to the Board that all required monthly payments have been made to the ADOR, ADES and IRS. The Charter Operator shall continue to submit this evidence until all amounts due under the Charter Operator's Amended Reorganization Plan to the ADOR, ADES and IRS have been satisfied.

The Parties agree as follows:

36. If the Charter Operator 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 the Charter Operator failed to comply with the terms and conditions of this Agreement. The Charter Operator shall be entitled to present all relevant evidence at this hearing. If the Board determines that a breach of this Agreement has occurred, the Board may revoke the Charter Operator's Charter to operate the School and terminate its Charter for breach of this Agreement and of its Charter and the state laws identified in the Recitals.

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

38. If either party rejects this Agreement or any part of it, then this Agreement is null and

void, and not binding on the Parties and the Board may proceed with the charter revocation hearing.

39. The Charter Operator has the legal right to consult with an attorney prior to entering into this Agreement.

40. The Parties shall be responsible for their own attorneys' fees and costs, if any, in this matter.

ARIZONA STATE BOARD FOR CHARTER SCHOOLS

By: Kathy Senseman
President, Arizona State Board for Charter Schools
Date: _____

ARIZONA ACADEMY OF SCIENCE & TECHNOLOGY

By: Grant Creech
Charter Representative, Arizona Academy of Science & Technology
Date: _____

COPY emailed this
_____ day of _____, 20__ to:

Grant Creech, Charter Representative
Arizona Academy of Science & Technology
gcreech@azast.org

By _____