

APPENDIX A

APPLICATION AND SUPPORT MATERIALS

1. REPLICATION SUMMARY REVIEW
2. APPLICATION FORM
3. APPLICATION DOCUMENTS
4. FINANCIAL RESPONSE
5. FINANCIAL RESPONSE EVALUATION



Arizona State
Board for
Charter Schools



Dashboard Alerts Bulletin Board Charter Holders DMS Email Tasks Search Reports Help Other

Replication Application

Downloads

 [Download all files](#)

Note: Please be patient. This may take up to a few minutes to complete depending on the number of files included with this application.

1. Applicant Agreement

Application Agreement Information

I certify all information contained in this application is complete and accurate, realizing that any misrepresentation could result in disqualification from the replication application process or revocation after award. I understand that incomplete applications will not be considered.

The Applicant acknowledges that all information presented in the application package, if approved, becomes part of the charter and will be used for accountability purposes throughout the term of the charter, and that the charter may be amended or modified by mutual agreement, in writing, of the parties pursuant to the terms of the charter contract when signed.

The Applicant acknowledges that the officers, directors, members, or partners are aware of their responsibilities in the operation of a charter school as described in Arizona statute and that the Applicant is subject to and will ensure compliance with all relevant federal, state and local laws and requirements.

The Applicant acknowledges that the most current academic data will be provided to the Board for its consideration of the application.

The Applicant acknowledges that if approved to operate a charter school, the Applicant must execute a charter contract with the Arizona State Board for Charter Schools (â Boardâ) within twelve months after the Board decides to grant the charter. If a charter is not timely signed, the Boardâ s decision to grant the replication charter expires.

The Applicant acknowledges that if approved to operate a charter school, the Applicant must begin providing educational services no later than the second fiscal year after the Boardâ s decision to grant the charter. Failure to begin providing educational instruction accordingly may result in the revocation of the charter.

The Applicant acknowledges that if approved to operate a charter school, the Applicant must provide the number of days of instruction as approved in the application within the Stateâ s fiscal year that begins July 1st and ends June 30th. Failure to do so may result in revocation of the charter.

Application Agreement Signature

Carolyn McGarvey 08/30/2017

2. Entity Information

Name of Charter Holder Entity Eligible for Replication

BASIS Schools, Inc.

Name of Replication Model School

BASIS Tucson Primary

Name of Proposed Charter School

BASIS Scottsdale West

Will the replication charter be held by the existing entity?

Yes, the existing entity will hold the replication charter.

A: Entity and Corporate Principals

Statement of Consistency

- By checking this box, I understand and agree that the Replication Application process requires the organizational structure of the new entity to be consistent with the organizational structure of the existing entity.

Name of Entity

BASIS Schools, Inc.

Authorized Representative for Entity

- Carolyn McGarvey

o

- o [Redacted]
- o [Redacted]
- o Files:
 - Fingerprint Clearance Card
 - Affidavit
 - Background Information Sheet
 - Resume
 - Verification of Coursework/Degree

Authorized Representative Mailing Address

[Redacted]

County
Maricopa

Day Time Phone
[Redacted]

Fax
(No response)

Form of Organization
Non Profit Corporation

Entity Type
Domestic Corporation

Charter Principals Background Information

Upload all required background information for each Officer, Director, Member, or Partner of the new entity.

Charter Principals

- Craig Barrett
- Terry Sarvas
- Donald Budinger
- John Morton

- o [Redacted]
- o [Redacted]
- o [Redacted]
- o Files:
 - Fingerprint Clearance Card
 - Affidavit
 - Background Information Sheet
 - Resume
 - Verification of Coursework/Degree
 - Current Charter Affiliations

- Steve Twist

- o [Redacted]
- o [Redacted]
- o [Redacted]
- o Files:
 - Fingerprint Clearance Card
 - Affidavit
 - Background Information Sheet
 - Resume
 - Verification of Coursework/Degree
 - Current Charter Affiliations

- Shelly Esque

- o [Redacted]
- o [Redacted]
- o [Redacted]
- o Files:
 - Fingerprint Clearance Card
 - Affidavit
 - Background Information Sheet
 - Resume
 - Verification of Coursework/Degree
 - Current Charter Affiliations

- Mittida Raksanaves

- o [Redacted]
- o [Redacted]
- o [Redacted]
- o Files:
 - Fingerprint Clearance Card
 - Affidavit
 - Background Information Sheet
 - Resume
 - Verification of Coursework/Degree
 - Current Charter Affiliations

Required Exhibits for A:

[Download File](#) – Required Exhibits for Section A

3. Governance Structure

Statement of Consistency

- By checking this box, I understand and agree that the Replication Application process requires the governance structure of the new school to be consistent with the governance structure of the Replication Model School.

Answer the following question by checking the appropriate box and completing any additional information requested.

How will the governance structure of the new school relate to the Replication Model School?

The new school will be operated by the existing entity and have the same governing body as the Replication Model School. (Skip Section B and go to Education Service Providers.)

B: Governing Body

- Kristen Jordison (School Staff)
- Michael Beaulieu (School Staff)
- Carolyn McGarvey (Charter Organization)
- DeAnna Rowe (Charter Organization)
- Anthony Pitucco (Community)
- Rizwan Safdar (Community)
- Shashi Jasthi (Community)
- Hanqing Jiang (Community)
- Mittida Raksanaves (Community)

4. Education Service Provider

Does the existing entity have a relationship with an ESP?

Yes - Contractual (Complete Section C.1)

C.1: Education Service Providers -- Contractual Relationship

Statement of Consistency

- By checking this box, I understand and agree the Replication Application process requires that the contractual relationship of the replication charter with an ESP to be consistent with the contractual relationship of the existing entity with an ESP.

What is the name of the ESP?

BASIS Educational Group, LLC. dba BASIS.ed

Required Exhibits for C.1

[Download File](#) –

C.2: Education Service Providers -- Governance Relationship

Statement of Consistency

(No response)

What is the name of the ESP?

(No response)

Describe the nature of the governance relationship:

Required Exhibits for C.2

No documents were uploaded.

5. Educational Plan

Target Population and Enrollment of New School

Statement of Consistency

- By checking this box, I understand and agree that the target population of the new school should be similar to the population of the Replication Model School, and that differences must be addressed in responses to the questions below as a component of the Replication Application process.

Statement of Consistency

- By checking this box, I understand and agree that the Replication Application process requires the enrollment policies of the new school to be consistent with the enrollment policies of the Replication Model School, and that enrollment of students cannot begin until the charter is signed.

Grades Requested for Replication Charter Contract

- K
- 1st
- 2nd
- 3rd

- 4th

Enrollment Cap
600

Grades Served Year 1
K-4

Projected Enrollment Cap Year 1
600

Grades Served Year 2
K-4

Projected Enrollment Cap Year 2
600

Grades Served Year 3
K-4

Projected Enrollment Cap Year 3
600

School Calendar Type
Standard

Instructional Days
180

Target Start Date
08/06/2018

School Characteristics

- College Preparatory
- Math and Science/STEM

Target Population and Enrollment of New School Narrative – [Download File](#)

Program of Instruction

Statement of Consistency

- By checking this box, I understand and agree that the Replication Application process requires that the Educational Plan of the new entity and school to be consistent with the Educational Plan of the existing entity and Replication Model School.

Mission Statement

BASIS Scottsdale West will provide an accelerated liberal arts education at internationally competitive levels for all students, including economically disadvantaged students. The rigorous college preparatory education at BASIS readies students for the competitive admissions process, helps them become eligible for scholarships, prepares them to prosper at top colleges, and enriches their lives.

Program of Instruction Narrative – [Download File](#)

6. Operational and Business Plan

Operational Plan Narrative – [Download File](#)

Required Exhibits

- [Download File](#) – Enrollment Matrix
- [Download File](#) – Staffing plan
- [Download File](#) – Board authorization for replication application

Facility Acquisition for New School

Has a confirmed facility been acquired for the new school?
No (Complete Section D.2)

D.1: Confirmed Facility

Address of Confirmed Facility

Required Exhibits for D.1:
No documents were uploaded.

D.2: Planned Facility

Identify the proposed location of new school by providing cross streets that would be the center of a 2.5 mile radius.
The proposed location of the new school (center of a 2.5 mile radius) is the intersection of 64th Street and Shea Boulevard in Scottsdale.

Planned Facility Narrative – [Download File](#)

Business Plan

Does the financial performance of the Charter Holder meet the Board's financial performance expectations?

No (Complete Section E)

E. Business Plan for Expansion

Required Exhibits for E

 [Download File](#) –

 [Download File](#) –

7. Additional Information

Additional Information

Do not complete this section unless specifically directed to do so in the application being completed.

1. Provide a description of the Charter Holder’s philosophical approach to improving pupil achievement. Include how this philosophy has impacted the success of the existing school. If a different population will be served in the new school, explain how this philosophical approach will apply.

Philosophy

BASIS Schools, Inc. (BSI) seeks to provide an accelerated liberal arts education at internationally competitive levels for all students. We believe that advanced coursework is for all students, not just the gifted; to that end, BSI contracts with BASIS.ed to write the latter’s curriculum, which is designed to help students develop autonomy and organizational skills as well as academics. Most importantly, we try to provide students with a deep knowledge base and a passion for learning, which will motivate them to reach their highest academic potential and prepare them for the demands of college and the workforce. BASIS.ed’s educational philosophy rests on several key tenets:

1. Creating and reinforcing a belief that learning is exciting, rewarding, and worthwhile

The BASIS school culture makes high academic achievement and intellectual engagement the norm. The goal of all faculty in BSI schools is to give students the overall sense that learning is exciting, rewarding, and worthwhile—and not just now, but for a lifetime. Teachers model this high-achieving community not just by demonstrating passion for their subject matter expertise, but also by showing students that synthesizing the content and skills from various courses is the key to education.

2. Teaching Personal Responsibility

BASIS.ed affirms that students who develop skills to hold themselves accountable for setting and meeting their own goals are well-equipped to be confident and high-performing in the face of academic challenges. Student autonomy is built up gradually over a number of years, and it is critical that it begin in the primary grades. Even young students at BASIS.ed schools learn that they are responsible for information disseminated in class, for homework, and for assessments; our primary students are inspired take their education seriously and learn to “own it.”

3. Teaching Good Study Habits and Providing Support

One of the fundamental methods of developing student responsibility is by teaching strong study habits. As an integral part of our model, students learn how to take notes, manage their time, and organize their work. These skills, when learned early with consistent reinforcement, are one of the fundamental advantages of a BASIS.ed primary education, and they enable students to successfully meet the challenges of grades 5-12. Further, our Academic Support Program ensures that any student who may struggle with these challenges is provided one-on-one guidance and advocacy. As students’ progress through the grade levels, they become models for younger students and help create a culture of positive and purposeful peer support.

4. Mastery of the Basics

Students at BASIS.ed-managed schools (BASIS schools) learn that mastering the basics is the precondition for moving beyond them. In order to help our students master the basics, we have crafted a curriculum that spirals content downwards from Advanced Placement courses, all the way into Kindergarten. This kind of backwards planning allows for our teachers and students to know exactly where they’re headed, and what is necessary for them to know and be able to do in order to get there. Our approach not only allows students to achieve high scores on the AP exams early enough to take post-AP and capstone courses before they graduate, but also provides primary students with the ability to practice experiencing difficult concepts and high-stakes testing environments for many years. While the AP-level content is spiraled down, age-appropriate social, emotional, and physical benchmarks are spiraled up, to ensure that students’ needs are being met at every age. BASIS students feel comfortable encountering new information and using what they already know to meet new challenges head-

on. Perhaps most importantly, this approach helps students understand that each course they take is not an island of isolated content, but is rather a stepping stone on a path of integrated education.

2. Describe the existing program of instruction of the current school, including methods of instruction and curriculum for the core academic content areas, which supports this philosophy and aligns to Arizona Academic Standards.

Our Professionals

BASIS.ed's Kindergarten is conducted in self-enclosed, co-taught classrooms. All Kindergarten teachers at BASIS schools are professionals who are experienced and passionate about educating young children, and who are equally focused on the social, emotional, physical, and academic development of their students. In every classroom is a Lead Teacher as well as a Teaching Fellow (TF) who aspires to become a Lead Teacher. The Lead Teacher is responsible for most of the instruction; however, in specialized disciplines, such as Mandarin, a Subject Expert Teacher (with a degree in their subject matter) replaces the Lead Teacher. Having the two caring professionals in the classroom guarantees that every student's needs are met, that learning will be appropriately differentiated, and that students can proceed along our accelerated curriculum with the support they need to flourish.

In 1st grade, students at BASIS schools advance out of a self-enclosed classroom, but not the co-teaching model. In every discipline, a Subject Expert Teacher (SET) leads the students. Teaching alongside the SET, a Learning Expert Teacher (LET) is responsible for making sure students understand the material and master essential organizational and study skills. LETs travel with their students throughout the school day to aid in scholastic development and provide high level progress-monitoring, parent communication, and enrichment to all students. The synergy of a class's SETs and LET supports a relatively rapid transition from instruction in foundational skills and knowledge, to independent thinking and active learning in the primary grades, in preparation for the advanced, college-preparatory curriculum of our 5-12 program.

BASIS.ed Kindergarten Curriculum

BASIS.ed's Kindergarten curriculum provides a rich, enjoyable, and intentional learning environment that encourages the use of imagination and creativity to ask the questions that help children relate to the world around them. We call our Kinder courses "Foundations." These Foundations courses serve as the base of the spiraled curriculum at BASIS schools; learning and organizational habits will be reinforced and concepts will be revisited in greater depth and complexity through the primary, middle, and high school years.

Language and Literacy: BASIS.ed Kindergarten has a thorough program of teaching phonics, whole language, writing, grammar and spelling, reading strategies, and reading comprehension. We build on those foundations with strategies to develop a love for reading and writing. Teachers at BASIS schools use many tools when teaching these vital concepts through small-group centers, whole groups, songs, dances, rhymes, and more.

Civics, History, and Science: BASIS.ed Kindergarten instills an overarching interest in science, social studies, and civics quite early. We familiarize students with key topics that are reintroduced at a deeper level later in the journey at BSI schools. Students investigate regions of the world and the peoples in it, using tools, sources, and experiments. Each week, students continue building these foundations through hands-on experiments, books, virtual field trips, study centers, and more.

Math: BASIS.ed uses Saxon Math, which teaches a wide array of math skills; these concepts are revisited in each successive year for a fully spiraled curriculum from Kindergarten up through Calculus. BASIS.ed Kindergarten students complete Saxon First Grade, mastering basic mathematical concepts and processes such as patterns, money, times and dates, basic geometry, word problems, skip-counting, and more.

Our Primary Curriculum: Grades 1-4

BSI uses integrated blocks of Arizona Academic Standards-aligned content for most of the courses in our primary grades. This inter-disciplinary approach teaches students that the ability to synthesize information and methods among various content areas is a powerful tool necessary to understand and change the world. The BASIS.ed curriculum also spirals content from kindergarten through AP courses and beyond—as students progress, the connections they make across subjects promote critical thinking skills and deep understanding.

Humanities: Humanities helps students strengthen the essential skills for reading and writing, including phonics and grammar, reading comprehension strategies, and vocabulary enrichment. The themes of literacy instruction are determined by a social studies focus; students learn the geography, governments, and cultures of the world, and develop historical thinking habits.

Math & Science: BASIS.ed continues to move through the Saxon Math progression in an accelerated pace (working towards being at least one grade level ahead of their peers by the end of grade 3). Students learn about earth and space science, including biology, geology, and physics topics. The connections between math and science are highlighted during science labs, during which students may be asked to collect, record, and interpret data; apply measurement skills; and use graphs to organize and present information.

READ: Students enjoy twenty minutes of ungraded independent reading time each day to improve their comprehension skills and foster a love of reading. Students also work on projects based on their reading, and share what they have read with their classmates.

P.E./Martial Arts: Students practice building fine and gross motor skills, advancing the foundations of strength and coordination, good sportsmanship, sports and game play, teamwork, and healthy habits.

Enrichment Courses, Kindergarten through Grade 4

Connections: In this hands-on, project-based class, students make connections between core courses in ways that are relevant to what they are learning each week. Through scenario-based problem-solving and critical thinking with their peers, students solve problems using their newly developed skills and knowledge, along with prior experience.

Fine Arts (Performance Arts, Visual Arts, and Music): These subjects are each taught once weekly by teachers who cultivate young students' creativity and expose them to new perspectives. Students are encouraged to explore different modes of self-expression, and to develop a love for the arts.

Engineering & Technology: This course introduces students to the discourses and techniques of the engineering design process. Students develop problem-solving, logic, and relationship skills through hands-on, real-world projects.

Mandarin: Learning Mandarin provides students with the opportunity to engage both sides of their brain, and promotes mental flexibility. Students master skills such as ordering, grouping, and distinguishing similarities and differences in character writing and intonation.

Students with Disabilities

Our inclusion-based model of special education enables all students to access BASIS.ed's revolutionary liberal arts curriculum while receiving appropriate supports in the regular classroom setting. The increased faculty support built into the BASIS.ed model that advocates individuality and all types of learners is a particularly welcoming

environment for many students with disabilities. We employ a rigorous and thorough process of frequent assessment together with a complete system of learning interventions, tailored to each individual's needs. Depending on a student's progress, his/her teachers, guardians, administrators, and the school's Special Education team may decide to create and implement an appropriate IEP or 504 plan.

English Language Learners

The curriculum at existing BSI Primary (K-4) schools was built to include the Arizona English Language Proficiency (ELP) Standards. These standards include the four major language domains: Speaking, Listening, Reading, and Writing. These standards help teachers, administrators, and ELL coordinators evaluate students' baseline language proficiency when they come to BASIS, and help our staff monitor progress in order to celebrate improvements.

3. Present an explanation of how the implementation of the existing program of instruction meets the needs of the proposed target population.

BASIS.ed's co-teaching model in grades K-4 helps all students succeed in our accelerated, rigorous curriculum with the support they need. Incoming BASIS Scottsdale Primary West students will arrive with a wide variety of literacy and numeracy levels and preparation for school. Having two loving professionals in each classroom allows for more the creation of centers—small groups of students who work together during portions of the day, while each teacher provides individualized attention to one group at a time—and a floating teacher during whole-group instruction. This unique level of student/teacher engagement allows teachers to quickly identify students who are struggling, and to assist them in getting the extra support they may need to prevent them from falling behind. These teachers also work together with the administrators in each school to maintain a thorough schedule and system of interventions for students whose benchmarking scores indicate a need for extra support.

All BASIS.ed primary teachers are trained in the implementation of proven instructional methods throughout their tenure. Teachers, together with their administration and the Academics and School Management Departments of BASIS.ed, continually reevaluate the instructional methods used to help their students master foundational, standards-based skills as well as the higher order thinking skills incorporated into the BASIS.ed curriculum. Teachers are encouraged to engage in a wide variety of research-based, differentiated instruction. The diversity of methods employed by teachers at BASIS schools is appropriate for the BASIS Scottsdale Primary West student population because it demands that teachers know where every student is as they progress through the course material. This is good for all students, including ELLs, students with disabilities, and transfer students.

A common misconception about BASIS.ed schools is that all of our students are geniuses and are just inherently "good at school." In reality, our students have an incredible variety of skills, abilities, and challenges. BASIS.ed curriculum *is* accelerated and rigorous; however, even students who come to us below grade level are able to move at our pace because our integration of topics and courses helps create connections between prior knowledge and new concepts/skills. Students find that our spiraled curriculum helps them "hit the ground running" each year, and helps them know what to expect in the years to come. The consistency of courses and major topics throughout the primary program helps students feel comfortable and confident with even advanced material.

Occasionally, however, students may struggle and need additional support in order to succeed. BASIS.ed's Academic Support Program centers around three central objectives for these students: motivation, communication, and intervention. Teachers, administrators, and Teaching Fellows actively monitor students' progress. If a student's grade falls below 70% in a course, or a student fails to make adequate progress on benchmarking exams, a student is placed in the Academic Student Support Program. Each student in the program

is assigned a designated Academic Advisor; this person meets weekly with the student to develop and then discuss a customized Study Plan, oversees the implementation of interventions in his/her courses, communicates regularly with parents, and continues checking in even after the student has exited Student Support.

The BASIS.ed-triple-focus on accountability, support, and celebrating achievements creates even more motivation to succeed. We assess students often, not only to track progress and the success of interventions, but also to assess instructional methods. Excellent performance on formative assessments and summative/standardized assessments proves to the students that their hard work matters, and proves that the BASIS.ed educational philosophy, academic model, and school culture work for those students who strive for success. On the 2016 AzMERIT exam, for instance, 46% of Arizona 4th graders were Proficient on the ELA portion, with only 12% Highly Proficient. BSI 4th graders, by contrast, ranged from 72% to 91% Proficient, with up to 56% Highly Proficient. (These scores generally depend on the age of the BSI school that students attend, with more-established BASIS schools demonstrating higher proficiency.) On the Math exam, 45% of Arizona 4th graders were Proficient, with only 10% rated as Highly Proficient. BSI 4th graders scored from 67% to >98% Proficient, with up to 47% scoring Highly Proficient. These 2016 scores were taken from BSI campuses in Ahwatukee, Chandler, Flagstaff, Goodyear, Mesa, Phoenix Central, Prescott, Oro Valley, and Tucson, where our students have a wide variety of races, socioeconomic statuses, language proficiencies, and educational backgrounds.

BSI's AzMERIT results clearly show we are successful in building and maintaining academic excellence throughout years of operation and expansion. The target population at BASIS Scottsdale Primary West may differ from that found at BASIS Tucson Primary, but the BASIS.ed philosophy determines that every student can be successful at BASIS Scottsdale Primary West. Not only do our teachers and staff model an excellent work ethic for their students, they ensure all students have every opportunity to receive support they might need on their way through the BASIS Primary program. The families who choose to send their students to BASIS schools are those seeking the best education in the world. As demonstrated by our success throughout the state and in the City of Scottsdale, the BASIS.ed Program is replicable for students in the Scottsdale target population area. There is no doubt that the high academic standards, the positive school culture, and the emphasis on student accountability that are the foundation of the BASIS philosophy have helped our students achieve academic excellence at every BASIS school. Parents and students in the area have been requesting an additional BASIS school for quite some time; we now seek the opportunity to meet that demand.

4. Describe the level of proficiency that students must obtain to demonstrate mastery of academic core content and clear criteria for promotion from one level to the next.

The proficiency level of each student will be based on the student's performance on multiple sources of assessment, including homework, class participation, quizzes, tests, and state assessments, which will be aligned with Arizona K-12 Academic Standards. A Course Progress Grade reflects a student's performance in a course during a given grading period (out of five total grading periods in the year). It is calculated according to a teacher's grading policy published in the course syllabus and the policies in the BASIS Charter Schools Parent-Student Handbook, as well as any grading period-specific regulations. To be promoted to the next grade level in K-5, a student must earn a minimum cumulative average of 60% in each of the core courses, and/or Grade P (Pass) in all courses or projects taken during the year.

Students who fail to meet this cumulative 60% requirement do not qualify for promotion status. Their parents/guardians must request, in writing and within two weeks, permission to obtain conditional promotion status. The Director of Student Affairs will then meet with these students and their parents/guardians to discuss the conditions required (summer projects, significant makeup work, etc.) before promotional status can be granted.

Students who fail to earn promotional status are retained. Additionally, third grade students who fall Below Expectations on the AzMERIT Reading assessment will be retained, per Arizona Revised Statute 15-701, provided they do not meet the acceptable exceptions for this statute (e.g., English Language Learners or students with, or in the process of acquiring, an IEP). In all other cases, BASIS abides by the BASIS Charter Schools Parent-Student Handbook, which states that the Head of School will make the final determination for promotion and retention based on teacher recommendation and passing grades.

5. If your school serves a high school population, identify graduation requirements for the school that will meet State requirements. Describe the process and criteria for awarding course credit.

N/A

Operational Plan Narrative

1. Describe the organization’s strategic growth plan and desired outcomes in Arizona over the next five years. Include the following: Number of schools and grades served, including expansion progression; Projected opening dates; and Projected number of students served.

Over the next five years, BASIS Schools, Inc. (“BSI”) plans to continue supporting the outstanding academic achievement at its existing schools while also growing at a steady rate. Below are BSI’s tentative plans for Arizona in the next five years. These plans are subject to change based on numerous factors including availability of land and the presence of sufficient local demand.

- 2017-2018 (year 1): 20 schools, grades K-12, 13,627 students
- 2018-2019 (year 2): 22 schools, grades K-12, 15,230 students
- 2019-2020 (year 3): 25 schools, grades K-12, 16,773 students
- 2021-2022 (year 4): 25 schools, grades K-12, 17,115 students
- 2022-2023 (year 5): 25 schools, grades K-12, 17,946 students

All campuses will open in August of each year.

Due to BSI’s strong academic track record, we feel confident in stating that our objective in this expansion plan is to provide the option of a K-12 BASIS education to as many Arizona families as possible. Since BSI schools now exist throughout the Phoenix and Tucson metropolitan areas and in northern Arizona, most Arizona families have access to the BASIS.ed academic program within driving distance of their home. Our focus moving forward will be primarily adding grades K-4 to our existing schools that only serve grades 5-12. We will also be opening new schools in the few areas currently not served by a BASIS.ed-managed school such as South Phoenix (opening fall 2017) and South Tucson. The BASIS.ed model that includes hiring expert teachers, holding students to high standards, and emphasizing individual student accountability continues to attract parents and students to our schools.

2. Discuss your operational capacity to open and operate schools successfully, including: Lessons learned from past expansion; and How you plan to avoid or minimize challenges in the replication school.

BSI maintains a vast operational capacity to open and operate schools. The schools' EMO relationship with BASIS.ed is, in fact, designed specifically for this purpose. This arrangement allows the standardized BASIS.ed curriculum, staffing structure, financing platform, and facilities arrangements to be deployed to any new school, and maintained and bolstered at existing schools, with relative ease. The EMO arrangement also relieves individual schools of most of the burden for accounting, legal issues, IT, and HR. BASIS.ed provides additional support for compliance. BASIS.ed can hire additional staff in these areas when the need for such staff becomes apparent.

The outcome from this vast operational infrastructure is visible in the continued success of the existing BASIS.ed-managed schools (BASIS schools). BASIS Scottsdale, BASIS Tucson North, BASIS Oro Valley, BASIS Peoria, and BASIS Chandler were ranked number 1, 2, 3, 5, and 7 in the United States in 2017 by *U.S. News and World Report*. These schools, along with BASIS Flagstaff, also outscored every world economy in 2015 on a version of the internationally benchmarked PISA exam, which tests students in critical thinking and problem solving ability.

These results are only possible with BASIS.ed's openness to honest self-evaluation and continual improvement. Problems from past years such as lower-than-projected student enrollment and late delivery of facilities were not encountered in the 2016-17 school year, thanks to significantly stepped-up outreach efforts to families and an earlier schedule for securing financing.

3. Summarize the organization's plan to support: The quality and long-term academic success of the replication school; The quality and long-term operational success of the replication school; and The financial viability of the replication school.

BSI, the Charter Holder for each of the Arizona BASIS Schools is well positioned to support the proposed growth of additional BASIS schools as described in Section 10.1. Maintaining the high caliber of academic performance and strong fiscal health of each BASIS school drives all BSI planning. Through the service agreement with BASIS.ed, BSI ensures that each new BASIS school will maintain the same level of academic excellence and fiscal health as each school in the network. Among the metrics that the Board reviews quarterly with the management company are: academic performance, student enrollment, organizational structure, teaching resources, legal and regulatory compliance and growth plans.

Financially, BSI and the individual BASIS schools are all in very strong positions to support future growth. BSI grew rapidly in FY 2015. After successfully opening several new schools, BSI's assets grew by approximately 13 percent. BSI closed FY 2015 with a current ratio of 1.88—a healthy number considering that current ratios above 1.00 are indicative of organizations with high levels of operational efficiency. New BASIS schools can tap into BSI's large working capital reserves (~\$11M) to ensure financial viability during their formative years.

Academically, individual BASIS.ed managed schools will have Subject Advisors (SADs) that will support academic success. The SADs are BASIS.ed teachers with a particular expertise in their subject, and they are responsible for creating the templates (sample syllabi, including mandatory

topics) for each variant of our courses. Perhaps more importantly, they are deeply committed to collaboration and creating a community that enables and celebrates the success of their peers. These subject experts are able to provide deep content support for teachers and are also in the classroom teaching on a day-to-day basis, so they have direct daily experience with the issues teachers are facing. Most BASIS schools have at least one SAD on-campus, and SADs occasionally visit other campuses, but much of the time SAD mentorship occurs over email, phone calls, and discussion boards on our SharePoint pages.

Minimum Qualifications:

- Thorough understanding and appreciation of BASIS.ed curriculum and culture
- Bachelor's degree in subject area, Master's preferred
- Experience coaching other teachers
- Experience creating curricula and defining learning objectives for subject area
- Understanding of student learning styles and pedagogical approaches

Preferred Qualifications:

- 5+ years of experience teaching the subject content
- Knowledge of and experience with standardized testing (aimsweb, state tests/PARCC, SAT, ACT, PISA, ISA etc.)

BASIS.ed has also built an extensive data analysis team to track the academic progress of each school and each teacher to identify best practices and facilitate sharing them across the network.

SERVICES AGREEMENT

BETWEEN

BASIS SCHOOLS, INC. AND BASIS EDUCATIONAL GROUP, LLC

BASIS Schools Inc., an Arizona nonprofit corporation that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (“BSI”) engages BASIS Educational Group, LLC, an Arizona limited liability company f/k/a BASIS Educational Group, Inc. (“BASIS.ed”) (each individually a “Party”) through a confidential Services Agreement (“Agreement”) to provide comprehensive education management services to BSI charter schools (“Schools”).

In order to ensure our Schools receive the quality and scope of services required to deliver a globally competitive education, the Agreement contains a detailed inventory of services, programming, and responsibilities of each Party; therefore, we cannot attach the executed Agreement because this information is a protected trade secret and, in order for us to maintain that protection, we must maintain the Agreement’s confidentiality. Below is a discussion of both the proprietary nature of the Agreement as well as a summary of its material terms.

The Agreement Contains Information that is a Trade Secret

In Arizona, a trade secret is “information, including a formula, pattern, compilation, program, device, method, technique, or process, that both: (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” (A.R.S. § 44-401).

Since the inception of BASIS.ed in 2009, we have invested incalculable resources to develop a comprehensive educational management program capable of providing students with a globally competitive education (the “Program”). Not only does the Program compile the highest-quality educational management strategies from around the world, but it includes a multitude of proprietary techniques, methods, processes, and formulas that have been created through the intentional investment of significant resources. For example, the formula used to calculate fees in the Agreement and the management structure is the result of research, analysis, and negotiation that resulted in a unique arrangement that carefully allocates expenses, ensures classrooms never go without resources, and is agile enough to weather the ever-changing school finance landscape. Combined with the success realized year-in and year-out by our students, other educational service providers would obtain both economic and educational value from the disclosure of the Agreement. We, therefore, must maintain the confidentiality of the Agreement in order to prevent it from being ascertainable through proper means by those who would obtain such value from its disclosure.

To that end, we exert great effort to maintain the secrecy of the Agreement’s provisions. A non-exhaustive list of such efforts include: (i) the Agreement is marked “Confidential” and it is maintained with other confidential documents with restricted access in locked file cabinets; (ii) a

EXHIBIT TO SECTION C.1: EDUCATION SERVICE PROVIDERS – CONTRACTUAL RELATIONSHIP

limited number of “need to know” individuals have access to the Agreement; (iii) anyone who does have access to the Agreement is required to sign non-disclosure and confidentiality agreements; (iv) reproduction of the Agreement is strictly controlled; and (v) all employees of both BASIS.ed and BSI are instructed both verbally and in writing about the procedures for handling the Agreement, if allowed, as well as the confidential information underlying the Agreement.

Because we believe it is imperative that we expand to serve more students, yet are required to maintain the confidentiality of the Agreement, we respectfully submit the summary information below.

Summary of the Agreement

Why BASIS.ed?

Since 2009, BSI and BASIS.ed have worked together to transform American education by equipping students with the knowledge, skills, and mindsets necessary to compete at the highest international levels. BASIS.ed currently manages all of BSI’s Arizona charter schools, and additional charter schools in Texas and Washington, D.C. Together, BSI and BASIS.ed have produced some of the top-performing public schools in the nation and, as BSI expands, this demonstrated track-record of impact will be as vital as ever to properly serve students in BSI’s schools going forward. In short, because of BASIS.ed’s demonstrated skill, expertise, resources, and professional competence in the provision of comprehensive educational management services, it is in BSI’s best interest to continue to work with BASIS.ed to deliver a globally competitive education to its students.

Services Provided by BASIS.ed

For the benefit of BSI, under various sections of the Agreement, BASIS.ed is required to manage, administer, and supervise the operations and activities of the School, including:

A. Management services, including:

- a. Furnishing BSI with curriculum, assessments, and academic analyses and reports;
- b. Supervision, management, and professional support of School staff, faculty, and management;
- c. IT services, including design of the School’s overall IT system, strategies, purchasing, and database design and maintenance;
- d. Student recruitment and enrollment support, including policy design, training, analysis, and implementation;
- e. Public relations strategy, outreach, and response;
- f. Development support, including identifying grant opportunities as well as grant writing and application support;
- g. Management of special fundraising projects;
- h. Negotiating, coordinating, and supervising facility maintenance and repair;
- i. Negotiating and coordinating capital equipment purchases;
- j. Managing and negotiating vendor contracts;

EXHIBIT TO SECTION C.1: EDUCATION SERVICE PROVIDERS – CONTRACTUAL RELATIONSHIP

- k. Supporting the BSI board, including maintenance of necessary records per Arizona’s record retention schedules applicable to charter schools; and
 - l. Preparation of authorizer required reports and other School-management documents, such as School calendars.
- B. Operational Services, including:
- a. Supervising operations related to student enrollment, registration, wait-list maintenance, records, withdrawals and support for student retention;
 - b. Drafting manuals, policies, procedures, and staff trainings;
 - c. SAIS support;
 - d. Curriculum implementation and evaluation;
 - e. Human resources support;
 - f. Teacher and staff recruitment, screening, compliance, and training; and
 - g. Special education support, including coordinating outside service providers.
- C. Financial Services, including:
- a. At the direction of the Governing Board, prepare proposed, adopted, and adjusted School budgets;
 - b. Prepare financial reports for BSI’s consideration;
 - c. Liaison with ADE as necessary to ensure all financial reports are properly submitted;
 - d. Cooperate in the preparation of the School’s annual audit and any other accounting or financial review undertaken by independent CPAs or auditors, as selected by BSI;
 - e. Maintain the School’s financial records;
 - f. Assist in the preparation of the School’s tax returns and submit the same to the BSI for review and approval;
 - g. Manage the School’s accounts payable and receivable; and
 - h. Assure compliance with bond covenants, if any.

Holding BASIS.ed Accountable

BSI has high expectations for service providers just as it does for students. As such, the Agreement reinforces BSI’s independence and contains extensive accountability measures to ensure BSI has the information and control necessary to hold BASIS.ed accountable. Such measures include:

- A. BSI has the option to, and in-fact did, hire an independent qualified specialist to determine whether the fees charged by BASIS.ed are reasonable compensation for the services provided;
- B. BASIS.ed is required to ensure all the schools it manages meet the high-academic benchmarks BSI is known for;
- C. BASIS.ed is responsible for implementing reasonable information and reporting systems that enable BSI to monitor key areas of business, legal, and regulatory compliance and risk;

EXHIBIT TO SECTION C.1: EDUCATION SERVICE PROVIDERS – CONTRACTUAL RELATIONSHIP

- D. BSI regularly tests cash disbursements for BSI costs and expenses managed by BASIS.ed to ensure all are properly supported, processed, and recorded;
- E. BASIS.ed’s authority with respect to BSI activities is carefully curtailed through documented limits;
- F. BSI has the right to inspect and copy BASIS.ed’s books and records as they relate to BASIS.ed’s provision of services under the Agreement;
- G. BSI may annually audit BASIS.ed’s compliance with this Agreement;
- H. BASIS.ed acknowledges this Agreement is subject to the terms of the charter contract, the Act, and other federal and State laws applicable to the School;
- I. BASIS.ed submits itself to state and federal law bearing on the services it provides to BSI, such as the Family Educational Rights and Privacy Act;
- J. BASIS.ed shall not act or fail to act, in any manner that would result in a breach of the School’s charter contract or applicable law;
- K. BASIS.ed is required to regularly report to BSI, which requires:
 - a. Reporting on current academic performance, student enrollment, teaching resources, new schools activity, legal and regulatory compliance, organizational structure, and risk management;
 - b. Providing an overview of what has occurred in each of those areas since the last report, including any items of concern, improvement, or changes in noted items of concern from prior reports, areas needing additional attention or resources from BSI, steps BASIS.ed has taken to control or mitigate any areas of concern, and other detail material or relevant to the services and BSI’s operations of the School; and
 - c. Giving BSI the opportunity to review and discuss the report with knowledgeable BASIS.ed personnel and to request additional information and follow up, as necessary.

If all else fails, BSI has the authority to terminate the Agreement, in which case, BASIS.ed would be required to cooperate in the transition of services to the new management company.

Relationship of BASIS.ed and BSI

BSI is an independent nonprofit corporation led and overseen by its board of directors (“Board”) and the Agreement acknowledges and reinforces this independence in many ways, including:

- A. The Board is the ultimate fiduciary and retains ultimate decision-making authority over all activities of the School, including the authority to reject or accept any recommendation made by BASIS.ed;
- B. BSI is responsible for overseeing all of its charter schools and has discretion in selecting a management company to assist with operating them;
- C. As charter holder, BSI remains ultimately responsible for ensuring compliance with the charter contract as well as considering and approving all reports, budgets, and filings incumbent upon an Arizona charter school;
- D. Once hired, BASIS.ed operates subject to BSI’s policies and at the Board’s ultimate direction and oversight;

EXHIBIT TO SECTION C.1: EDUCATION SERVICE PROVIDERS – CONTRACTUAL RELATIONSHIP

- E. BASIS.ed is required to promptly furnish all information, documents, reports, or forms necessary or convenient for BSI to perform its obligations under the charter contract or the Agreement; and
- F. Clear delegations of authority by the Board to BASIS.ed are memorialized and only include enough authority necessary for BASIS.ed to perform the services considered by the Agreement.

Conclusion

BSI and BASIS.ed have successfully worked together to redefine education in Arizona and beyond and we are eager to serve additional students as contemplated in the current application. Should your office have any questions on the Agreement or this Exhibit, please do not hesitate to reach out.

Planned Facility Narrative

Identify the proposed location of new school by providing cross streets that would be the center of a 2.5 mile radius.

The proposed location of the new school (center of a 2.5 mile radius) is the intersection of 64th Street and Shea Boulevard in Scottsdale.

1. Describe the facility suitable for implementing the Educational Plan, to include: Square footage; Number of classrooms; and Layout of space.

BASIS Schools, Inc. (BSI) plans to construct an approximately 44,230-square-foot facility to house grades K-4. BSI plans to enter into a land lease for the property in lieu of purchasing it. We anticipate building 13 regular classrooms, five science labs, two music rooms, two art rooms, a multi-purpose room, a gymnasium, a teacher's lounge, a conference room, an indoor play room, outdoor playground facilities and nine faculty and administrative offices to accommodate approximately 600 students.

2. Describe the timeline for acquiring a suitable facility by the start date identified in Section 5.

Negotiations for land are already underway, as are plans to secure funding to construct the building. BSI intends to sign a land lease contract for the site by October 2017 and receive funding for renovation and furnishings by January 2018. Current plans are on track to meet that timetable. This timeline allows a full six months for construction, significantly more time than was available for the larger BASIS Scottsdale campus constructed in 2016.



Arizona State Board for Charter Schools

Staffing Chart

Complete the table to provide the anticipated staffing for the proposed school.

Directions*:

- In each box under the “Number of Staff Members” columns, identify the number of staff members for each position/category for the first three fiscal years the school will be in operation.

Proposed School Name: BASIS Scottsdale Primary West			
Position	Number of Staff Members		
	Anticipated—FY19	Anticipated—FY20	Anticipated—FY21
Administration	4	4	4
Teachers/Instructional Staff			
Kindergarten	8	8	8
1 st	7	7	7
2 nd	7	7	7
3 rd	7	7	7
4 th	7	3	3
5 th			
6 th			
7 th			
8 th			
9 th			
10 th			
11 th			
12 th			
Specialty Staff (Music, Art, PE, etc.)	4	4	4
Special Education	1	1	2
Paraprofessional			
Additional Staff			
List title: Curriculum Coordinator	1	1	1
List title: Registrar, Front Office Assistants, Dean	3	3	4
List title: Health, Facilities Coordinators	1	1	3
List title: _Monitors (part time)	0	0	1
Total Number of Staff Members	50	46	47



Arizona State Board for Charter Schools

Enrollment Matrix

Complete the table to provide the target enrollment, indicating the timeline for the proposed school.

Directions*:

- In each box under the “Number of Students” columns, identify the number of students served per grade for the first three fiscal years the proposed school will be in operation.
- In the “Total Enrollment” row, provide the total enrollment for each fiscal year.

Proposed School Name: BASIS Scottsdale Primary West			
Grade Level	Number of Students		
	Target—FY19	Target—FY20	Target—FY21
Kindergarten	120	120	120
1 st	120	120	120
2 nd	120	120	120
3 rd	120	120	120
4 th	120	120	120
5 th			
6 th			
7 th			
8 th			
9 th			
10 th			
11 th			
12 th			
Total Enrollment	600	600	600

Supplemental Response

2a. Net Income.

The \$9.921 million non-cash expense can be broken down as follows:

Extinguishment of Debt:

- BASIS Oro Valley Primary - \$523,450
- BASIS DC - \$7,010,717
- Total Debt Extinguishment = \$7,534,16

Defeasance

- BASIS Tucson Primary - \$395,998
- BASIS Scottsdale - \$131,999
- BASIS Tucson North - \$601,057
- BASIS Oro Valley Primary - \$261,158
- BASIS DC - \$997,500
- Total defeased interest - \$2,387,712.

The refunding of BASIS DC and BASIS Oro Valley Primary resulted in \$8,792,825 of non-cash one-time expense recorded in FY16. Both of these transactions yielded positive cash flow and positive NPV. Please see attached BASIS 2016A (OG) Exhibit 1, summarized here:

- BASIS Oro Valley Primary – cash flow savings of \$783,152, Net PV Savings of \$959,604
- BASIS DC – cash flow savings of \$1,171,514, Net PV Savings of \$6,537,937

The remaining \$1,129,054 is for non-cash defeased interest expense related to other BASIS Schools that were refinanced as part of the 2015A bond series during FY15. This debt was retired in 2015 via securities or cash:

- BASIS Tucson Primary – funded escrows with open market securities, see BASIS securities Exhibit 2.
- BASIS Tucson North – funded escrows with open market securities, see BASIS securities Exhibit 2.
- BASIS Oro Valley Primary – funded with cash, bonds redeemed within 90 days of closing
- BASIS Scottsdale – funded with cash, bonds redeemed within 90 days of closing.

The principal and interest of those securities and cash processed escrowed from the new debt issuances was used to pay the \$1,129,504, resulting in a non-cash interest expense for that amount required per GAAP. Please see FAS 76 for more detail: <http://www.fasb.org/pdf/fas76.pdf>

We have also included internally prepared, unaudited FY17 consolidated statements as Exhibit 3. These statements show a positive net surplus on the statement of activities and are presented in advance of the annual audit for the Board's consideration. Please note that these statements do not include the non-cash expenses from the 2017A bond series. As noted in previous submissions to the Board, BASIS expects the net surplus to run negative due to capital restructuring activities until all BASIS charter schools have been refinanced.

2c. Fixed Charge Coverage Ratio.

Please see included, unaudited FY17 consolidated statements Exhibit 3. From these statements we are calculating a Fixed Charge Coverage ratio of 0.98, an improvement of 0.57 above the FY16 ratio. While FY17 unaudited FCC does not meet the 1.1 threshold, we ask the Board to consider our improvement year over year. We continue to remain focused on trimming administrative costs and capital restructuring to bring increased cash flow and improvement in the FCC ratio over time.

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The Industrial Development Authority of the City of Phoenix, Arizona
 Education Facility Revenue Bonds
 (BASIS Schools Project)
 Series 2016A

 FINAL REVISED (12-10-15)

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings	Present Value to 01/05/2016 @ 4.8097371%
07/01/2016	1,563,184.38	47,500.00	1,515,684.38	1,030,577.77	790,557.77	240,020.00	1,275,664.38	1,258,900.61
07/01/2017	2,890,431.26		2,890,431.26	2,798,000.00	35,150.80	2,762,849.20	127,582.06	148,822.75
07/01/2018	2,906,368.76		2,906,368.76	2,802,300.00	98,861.64	2,703,438.36	202,930.40	210,275.28
07/01/2019	3,004,493.76		3,004,493.76	2,795,850.00	98,861.64	2,696,988.36	307,505.40	292,682.13
07/01/2020	3,007,306.26		3,007,306.26	2,798,950.00	98,861.64	2,700,088.36	307,217.90	279,007.54
07/01/2021	3,091,993.76		3,091,993.76	2,796,300.00	98,861.64	2,697,438.36	394,555.40	334,693.80
07/01/2022	3,311,368.76		3,311,368.76	2,805,300.00	98,861.64	2,706,438.36	604,930.40	480,387.71
07/01/2023	3,312,618.76		3,312,618.76	2,802,700.00	98,861.64	2,703,838.36	608,780.40	460,987.76
07/01/2024	3,313,243.76		3,313,243.76	2,798,900.00	98,861.64	2,700,038.36	613,205.40	442,742.49
07/01/2025	3,400,743.76		3,400,743.76	2,798,900.00	98,861.64	2,700,038.36	700,705.40	479,126.77
07/01/2026	3,515,918.76		3,515,918.76	2,802,500.00	98,861.64	2,703,638.36	812,280.40	527,742.89
07/01/2027	3,517,868.76		3,517,868.76	2,800,000.00	98,861.64	2,701,138.36	816,730.40	506,064.52
07/01/2028	3,518,731.26		3,518,731.26	2,800,250.00	98,861.64	2,701,388.36	817,342.90	483,149.69
07/01/2029	3,606,006.26		3,606,006.26	2,798,000.00	98,861.64	2,699,138.36	906,867.90	508,943.82
07/01/2030	3,622,193.76		3,622,193.76	2,798,250.00	98,861.64	2,699,388.36	922,805.40	493,930.73
07/01/2031	3,119,793.76		3,119,793.76	2,795,750.00	98,861.64	2,696,888.36	422,905.40	222,132.68
07/01/2032	3,121,306.26		3,121,306.26	2,800,500.00	98,861.64	2,701,638.36	419,667.90	210,572.81
07/01/2033	22,108,868.76		22,108,868.76	2,802,000.00	98,861.64	2,703,138.36	19,405,730.40	8,823,528.92
07/01/2034	704,981.26		704,981.26	2,800,250.00	98,861.64	2,701,388.36	-1,996,407.10	-833,668.87
07/01/2035	707,143.76		707,143.76	2,800,250.00	98,861.64	2,701,388.36	-1,994,244.60	-793,892.00
07/01/2036	706,218.76		706,218.76	2,801,750.00	98,861.64	2,702,888.36	-1,996,669.60	-757,742.17
07/01/2037	703,387.50		703,387.50	2,799,500.00	98,861.64	2,700,638.36	-1,997,250.86	-722,565.87
07/01/2038	703,650.00		703,650.00	2,803,500.00	98,861.64	2,704,638.36	-2,000,988.36	-690,098.78
07/01/2039	706,625.00		706,625.00	2,803,250.00	98,861.64	2,704,388.36	-1,997,763.36	-656,801.27
07/01/2040	706,931.26		706,931.26	2,803,750.00	98,861.64	2,704,888.36	-1,997,957.10	-626,169.66
07/01/2041	704,568.76		704,568.76	2,799,750.00	98,861.64	2,700,888.36	-1,996,319.60	-596,414.76
07/01/2042	704,537.50		704,537.50	2,796,250.00	98,861.64	2,697,388.36	-1,992,850.86	-567,546.79
07/01/2043	706,456.26		706,456.26	2,798,000.00	98,861.64	2,699,138.36	-1,992,682.10	-540,961.74
07/01/2044	704,943.76		704,943.76	2,789,500.00	98,861.64	2,690,638.36	-1,985,694.60	-513,855.65
07/01/2045				2,581,000.00	98,861.64	2,482,138.36	-2,482,138.36	-612,047.84
07/01/2046				6,242,250.00	2,960,475.36	3,281,774.64	-3,281,774.64	-770,970.87
	83,691,884.62	47,500.00	83,644,384.62	88,244,027.77	6,554,309.85	81,689,717.92	1,954,666.70	7,480,956.62

Savings Summary

PV of savings from cash flow	7,480,956.62
Plus: Refunding funds on hand	107,945.21
Net PV Savings	7,588,901.83

SUMMARY OF REFUNDING RESULTS

The Industrial Development Authority of the City of Phoenix, Arizona
Education Facility Revenue Bonds
(BASIS Schools Project)
Series 2016A

FINAL REVISED (12-10-15)

Dated Date	01/05/2016
Delivery Date	01/05/2016
Arbitrage yield	4.809737%
Escrow yield	0.889119%
Value of Negative Arbitrage	669,748.87
Bond Par Amount	44,160,000.00
True Interest Cost	4.909832%
Net Interest Cost	4.938288%
Average Coupon	4.944571%
Average Life	20.189
Par amount of refunded bonds	34,205,000.00
PV of prior debt to 01/05/2016 @ 4.809737%	49,372,639.53
Net PV Savings	7,588,901.83
Percentage savings of refunded bonds	22.186528%
Percentage savings of refunding bonds	17.185013%

SAVINGS

Oro Valley Primary Refunding

Refund to 1/1/2018 at 103 Redemption Price

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings	Present Value to 01/05/2016 @ 4.8097371%
07/01/2016	399,434.38	47,500.00	351,934.38	240,020.00		240,020.00	111,914.38	108,252.93
07/01/2017	707,931.26		707,931.26	645,950.00	8,174.79	637,775.21	70,156.05	66,727.18
07/01/2018	706,368.76		706,368.76	646,300.00	22,991.60	623,308.40	83,060.36	75,215.31
07/01/2019	704,493.76		704,493.76	646,500.00	22,991.60	623,508.40	80,985.36	69,945.01
07/01/2020	707,306.26		707,306.26	646,550.00	22,991.60	623,558.40	83,747.86	68,908.44
07/01/2021	704,493.76		704,493.76	646,450.00	22,991.60	623,458.40	81,035.36	63,595.19
07/01/2022	706,368.76		706,368.76	649,450.00	22,991.60	626,458.40	79,910.36	59,806.95
07/01/2023	707,618.76		707,618.76	647,050.00	22,991.60	624,058.40	83,560.36	59,576.45
07/01/2024	708,243.76		708,243.76	649,450.00	22,991.60	626,458.40	81,785.36	55,611.17
07/01/2025	708,243.76		708,243.76	646,450.00	22,991.60	623,458.40	84,785.36	54,925.57
07/01/2026	705,918.76		705,918.76	648,250.00	22,991.60	625,258.40	80,660.36	49,840.35
07/01/2027	707,868.76		707,868.76	647,500.00	22,991.60	624,508.40	83,360.36	49,074.86
07/01/2028	708,731.26		708,731.26	646,250.00	22,991.60	623,258.40	85,472.86	47,944.64
07/01/2029	708,506.26		708,506.26	644,500.00	22,991.60	621,508.40	86,997.86	46,500.45
07/01/2030	707,193.76		707,193.76	647,250.00	22,991.60	624,258.40	82,935.36	42,277.09
07/01/2031	704,793.76		704,793.76	644,250.00	22,991.60	621,258.40	83,535.36	40,576.77
07/01/2032	706,306.26		706,306.26	645,750.00	22,991.60	622,758.40	83,547.86	38,671.66
07/01/2033	706,368.76		706,368.76	646,500.00	22,991.60	623,508.40	82,860.36	36,547.46
07/01/2034	704,981.26		704,981.26	646,500.00	22,991.60	623,508.40	81,472.86	34,242.93
07/01/2035	707,143.76		707,143.76	645,750.00	22,991.60	622,758.40	84,385.36	33,773.18
07/01/2036	706,218.76		706,218.76	649,250.00	22,991.60	626,258.40	79,960.36	30,491.67
07/01/2037	703,387.50		703,387.50	646,750.00	22,991.60	623,758.40	79,629.10	28,912.33
07/01/2038	703,650.00		703,650.00	648,500.00	22,991.60	625,508.40	78,141.60	27,012.08
07/01/2039	706,625.00		706,625.00	649,250.00	22,991.60	626,258.40	80,366.60	26,436.58
07/01/2040	706,931.26		706,931.26	649,000.00	22,991.60	626,008.40	80,922.86	25,328.95
07/01/2041	704,568.76		704,568.76	647,750.00	22,991.60	624,758.40	79,810.36	23,764.32
07/01/2042	704,537.50		704,537.50	645,500.00	22,991.60	622,508.40	82,029.10	23,230.56
07/01/2043	706,456.26		706,456.26	647,250.00	22,991.60	624,258.40	82,197.86	22,133.41
07/01/2044	704,943.76		704,943.76	647,750.00	22,991.60	624,758.40	80,185.36	20,518.09
07/01/2045				632,000.00	22,991.60	609,008.40	-609,008.40	-150,195.43
07/01/2046				1,695,750.00	688,498.23	1,007,251.77	-1,007,251.77	-236,627.54
	20,175,634.62	47,500.00	20,128,134.62	20,685,420.00	1,340,437.82	19,344,982.18	783,152.44	943,018.63

Savings Summary

PV of savings from cash flow	943,018.63
Plus: Refunding funds on hand	16,585.38
Net PV Savings	959,604.01

SUMMARY OF REFUNDING RESULTS

Oro Valley Primary Refunding

Refund to 1/1/2018 at 103 Redemption Price

Dated Date	01/05/2016
Delivery Date	01/05/2016
Arbitrage yield	4.809737%
Escrow yield	0.889119%
Value of Negative Arbitrage	669,748.87
Bond Par Amount	10,270,000.00
True Interest Cost	4.914555%
Net Interest Cost	4.941754%
Average Coupon	4.946982%
Average Life	20.501
Par amount of refunded bonds	8,305,000.00
Average coupon of refunded bonds	7.495484%
Average life of refunded bonds	19.058
PV of prior debt to 01/05/2016 @ 4.809737%	10,906,678.00
Net PV Savings	959,604.01
Percentage savings of refunded bonds	11.554534%
Percentage savings of refunding bonds	9.343759%

SAVINGS

DC Refunding

Date	Prior Debt Service	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings	Present Value to 01/05/2016 @ 4.8097371%
07/01/2016	1,163,750.00	790,557.77	790,557.77		1,163,750.00	1,150,647.67
07/01/2017	2,182,500.00	2,152,050.00	26,976.01	2,125,073.99	57,426.01	82,095.57
07/01/2018	2,200,000.00	2,156,000.00	75,870.04	2,080,129.96	119,870.04	135,059.97
07/01/2019	2,300,000.00	2,149,350.00	75,870.04	2,073,479.96	226,520.04	222,737.11
07/01/2020	2,300,000.00	2,152,400.00	75,870.04	2,076,529.96	223,470.04	210,099.10
07/01/2021	2,387,500.00	2,149,850.00	75,870.04	2,073,979.96	313,520.04	271,098.61
07/01/2022	2,605,000.00	2,155,850.00	75,870.04	2,079,979.96	525,020.04	420,580.76
07/01/2023	2,605,000.00	2,155,650.00	75,870.04	2,079,779.96	525,220.04	401,411.31
07/01/2024	2,605,000.00	2,149,450.00	75,870.04	2,073,579.96	531,420.04	387,131.32
07/01/2025	2,692,500.00	2,152,450.00	75,870.04	2,076,579.96	615,920.04	424,201.19
07/01/2026	2,810,000.00	2,154,250.00	75,870.04	2,078,379.96	731,620.04	477,902.54
07/01/2027	2,810,000.00	2,152,500.00	75,870.04	2,076,629.96	733,370.04	456,989.67
07/01/2028	2,810,000.00	2,154,000.00	75,870.04	2,078,129.96	731,870.04	435,205.05
07/01/2029	2,897,500.00	2,153,500.00	75,870.04	2,077,629.96	819,870.04	462,443.37
07/01/2030	2,915,000.00	2,151,000.00	75,870.04	2,075,129.96	839,870.04	451,653.64
07/01/2031	2,415,000.00	2,151,500.00	75,870.04	2,075,629.96	339,370.04	181,555.90
07/01/2032	2,415,000.00	2,154,750.00	75,870.04	2,078,879.96	336,120.04	171,901.14
07/01/2033	21,402,500.00	2,155,500.00	75,870.04	2,079,629.96	19,322,870.04	8,786,981.46
07/01/2034		2,153,750.00	75,870.04	2,077,879.96	-2,077,879.96	-867,911.80
07/01/2035		2,154,500.00	75,870.04	2,078,629.96	-2,078,629.96	-827,665.17
07/01/2036		2,152,500.00	75,870.04	2,076,629.96	-2,076,629.96	-788,233.84
07/01/2037		2,152,750.00	75,870.04	2,076,879.96	-2,076,879.96	-751,478.20
07/01/2038		2,155,000.00	75,870.04	2,079,129.96	-2,079,129.96	-717,110.86
07/01/2039		2,154,000.00	75,870.04	2,078,129.96	-2,078,129.96	-683,237.85
07/01/2040		2,154,750.00	75,870.04	2,078,879.96	-2,078,879.96	-651,498.61
07/01/2041		2,152,000.00	75,870.04	2,076,129.96	-2,076,129.96	-620,179.08
07/01/2042		2,150,750.00	75,870.04	2,074,879.96	-2,074,879.96	-590,777.35
07/01/2043		2,150,750.00	75,870.04	2,074,879.96	-2,074,879.96	-563,095.15
07/01/2044		2,141,750.00	75,870.04	2,065,879.96	-2,065,879.96	-534,373.74
07/01/2045		1,949,000.00	75,870.04	1,873,129.96	-1,873,129.96	-461,852.41
07/01/2046		4,546,500.00	2,271,977.13	2,274,522.87	-2,274,522.87	-534,343.34
	63,516,250.00	67,558,607.77	5,213,872.03	62,344,735.74	1,171,514.26	6,537,937.99

Savings Summary

PV of savings from cash flow	6,537,937.99
Plus: Refunding funds on hand	91,359.83
Net PV Savings	6,629,297.82

SUMMARY OF REFUNDING RESULTS

DC Refunding

Dated Date	01/05/2016
Delivery Date	01/05/2016
Arbitrage yield	4.809737%
Escrow yield	0.889119%
Value of Negative Arbitrage	
Bond Par Amount	33,890,000.00
True Interest Cost	4.908384%
Net Interest Cost	4.937217%
Average Coupon	4.943825%
Average Life	20.095
Par amount of refunded bonds	25,900,000.00
PV of prior debt to 01/05/2016 @ 4.809737%	38,465,961.53
Net PV Savings	6,629,297.82
Percentage savings of refunded bonds	25.595744%
Percentage savings of refunding bonds	19.561221%

*Unaudited, confidential, not for distribution

BASIS Schools, INC

FY 2017 Unaudited Statement of Financial Activities

	Total
Revenues:	
State Per Pupil Revenues(Equalization)	\$100,389,824
Grants	\$7,485,807
Contributions	\$6,458,372
Other	\$13,829,735
Total Revenues	\$128,163,738
Expenses:	
Salaries & Payroll	\$75,948,642
Management Fees	\$14,576,706
Other Operating	\$22,517,232
Debt Service	\$12,407,835
Total Expenses	\$125,450,415
Net Surplus*	\$2,713,323

*Unaudited, confidential, not for distribution

BASIS Schools INC
Balance Sheet as of 6-30-17

Total of BASIS Schools Inc.

Current Assets:

Cash & Cash Equivalents	\$	33,131,096
Other Current Assets	\$	14,687,322
Total Current Assets	\$	47,818,419

Non-Current Assets:

Property & Equipment, Net	\$	196,202,874
Other Non-Current Assets	\$	30,468,093
Total Non-Current Assets	\$	226,670,967

TOTAL ASSETS

\$ 274,489,386

Current Liabilities:

Accounts Payable and other current liabilities	\$	19,468,633
Current maturities of long-term debt		3,042,858
Total Current Liabilities	\$	22,511,491

Long Term Debt, Net of Current Maturities

\$ 272,253,997

Total Liabilities

\$ 294,765,488

Beginning Net Assets \$ (22,989,424)

Net Surplus \$ 2,713,323

Net Assets

\$ (20,276,101)

TOTAL LIABILITIES & NET ASSETS

\$ 274,489,386

FY 2016 Financial Performance Response

Analysis

The net surplus for the year falls below \$1 threshold primarily due to the GAAP effect of our capital restructuring. In Fiscal Year 2016, multiple schools were refinanced into our obligated group debt structure resulting in non-cash expenses of \$9.921 million. Recording these transactions results in unamortized loan issuance costs and early repayment premiums being expensed in full on the statement of activities. These are non-cash expenses that are added back to the net surplus during most financial evaluations and ratio calculations. Each single bond refinancing is a non-recurring event.

Part of the \$9.921 million non-cash expense is \$2.387 million in defeased interest and \$7.534 million in extinguishment of debt for Tucson, Tucson North, Scottsdale, Oro Valley Primary and DC bond series at the time of the 2015A and 2016AB obligated group closing. This is the Fiscal Year 2016 interest expense for the bond defeasance negotiated with the previous bondholder for these schools. This is a non-cash expense that would have been amortized over the 30-year life of the old debt. Instead, per GAAP this amount will be expensed in full through the defeasance period. This accounting results in an acceleration of interest expense onto the statement of activities, though the refinancing of these schools provides for positive cash flow and NPV on each bond series.

It is expected that all new expansion will be funded through the obligated group structure and that BASIS will continue to refinance the existing, higher priced debt until all debt has been consolidated into the group. In summary, FY 2016 closed with a positive change in net asset of \$244, 681 before write off of loan issuance costs and prepayment penalties.

1. Net Surplus Adjustments

Given the non-recurring/extraordinary nature of the events described in #1, BASIS believes that their effect on the financials have to be negated before evaluating its financial viability. In conclusion, here are the changes to the net surplus (deficit) to negate the above events:

Beginning Net Surplus(Deficit)-PER AUDIT		(\$9,677,198)
Debt Refinancing adjustment	+	\$9,921,879
Ending Net Surplus (Deficit)		\$244,681

Net Surplus(Deficit) now meets standards of equal or exceeding \$1, which is the requirement for indicator 2a. *Net Income-Sustainability Indicator.*

2. Fixed Charge Coverage Ratio Adjustments

Given the above changes, the revised Fixed Charge Coverage Ratio will be calculated as follows.

Fixed Charge Coverage Ratio	
Ending Net Surplus(Deficit)	\$244,681
Add Amortization	\$181,728
Add Depreciation	\$4,990,441
Add Interest	\$10,650,782
Total Cash Available	\$16,067,632
Total Current Year Interest + Current Maturities of Long-term Debt	\$13,693,640
Fixed Charge Coverage Ratio	1.17

Fixed Charge Coverage Ratio now meets the standard of 1.10 or greater, which is the requirement for indicator 2c. *Fixed Charge Coverage Ratio*.

Financial Performance Response Evaluation Instrument

Charter Holder Name: BASIS Schools, Inc.
Charter Holder Entity ID: 6361

Required for: Expansion Request
Audit Year: 2016

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Response Evaluation Instrument for the Board in its consideration of applicable requests made by the charter holder. For each measure where the charter holder did not meet the target for the most recent audited fiscal year presented in the dashboard, Appendix C of the Financial Performance Framework requires the charter holder to answer three questions: 1) why did we not meet the measure’s target in the audited fiscal year; 2) what specifically have we done to improve our performance so that it’s possible to meet the measure’s target in the next fiscal year or a subsequent fiscal year; and 3) what can we provide to support our explanations and analysis? A “Not Acceptable” evaluation means the response for that measure did not sufficiently address one or more of these questions. “Not Acceptable” answers may adversely affect the Board’s decision regarding a charter holder’s request.

Measure	Reason(s) for “Not Acceptable” Rating
1a. Going Concern Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
1b. Unrestricted Days Liquidity Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
1c. Default Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
2a. Net Income Acceptable <input checked="" type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input type="checkbox"/>	



Measure	Reason(s) for “Not Acceptable” Rating
2b. Cash Flow Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
2c. Fixed Charge Coverage Ratio Acceptable <input checked="" type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input type="checkbox"/>	<p>Using the unaudited 2017 consolidated financial statements provided with the response, the charter holder states, “...we are calculating a Fixed Charge Coverage Ratio of 0.98, an improvement of 0.57 above the FY16 ratio”. The improved net income before write-offs for non-cash expenses associated with the 2017A bond series should translate to a higher ratio for the charter holder in 2017, assuming the 2017 write-off is similar in amount to 2016. Since the response did not include the amount of the 2017 write-off, it is not possible to identify the magnitude of improvement from 2016 to 2017 using the financial framework’s calculation. Improvement from 2016 to 2017 is supported when the 2016 and 2017 ratios are calculated using the charter holder’s respective net incomes before write-offs. The preceding clarifies, but does not affect, the charter holder’s general assertion of improved performance in 2017, which is why this measure received an “acceptable” rating.</p>

