

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between CAMELBACK EDUCATION, INC. (“Charter Operator”), a nonprofit corporation organized under the laws of the state of Arizona and operating Camelback Academy, 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. An approved plan to establish a charter school is effective for fifteen years. A.R.S. § 15-183(I). The charter may be amended at the request of the governing body of the charter school and on approval of the Board. A.R.S. § 15-183(G). 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 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. A.R.S. § 15-183(I)(3). The charter may be renewed for successive period of twenty years. A.R.S. § 15-183(I)(1).

RECITALS

1. The Charter Operator operates Camelback Academy (“the School”), a charter school established pursuant to A.R.S. § 15-181 *et seq.*

2. The School operates pursuant to a charter contract (“Charter”) executed on May 3, 2002 between the Charter Operator and the Board.

3. 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.

4. Karen Kordon is the Charter Representative and person authorized to execute documents on behalf of the Charter Operator.

5. 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.

6. 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, by an independent certified public accountant. Charter Operators required to comply with the single audit act amendments of 1996 (31 U.S.C. § 7501 through 7507) must undergo an annual financial and compliance audit (“single audit reporting package”). *Id.* Charter Operators not subject to the single audit act amendments of 1996 must contract for an annual financial statement and compliance audit (“financial statement audit reporting package”). *Id.*

7. The Charter Operator’s complete financial statement audit reporting package for the fiscal year ending June 30, 2012 was due to the Board by November 15, 2012.

8. The Charter Operator failed to submit its complete financial statement audit reporting package for the fiscal year ending June 30, 2012 by November 15, 2012

9. The Charter Operator has a history of failure to timely submit its annual financial and compliance audit reporting package. The fiscal year ending June 30, 2012 is the third

consecutive year in which the Charter Operator has failed to timely submit its annual financial and compliance audit reporting package.

10. The Charter Operator breached its Charter and A.R.S. §§ 15-183(E)(6) and 15-914 when it failed to submit its financial statement audit reporting package for the fiscal year ending June 30, 2012 to the Board by November 15, 2012.

11. The Charter Operator breached its Charter and A.R.S. §§ 15-183(E)(6) and 15-914 when it failed to submit its annual financial and compliance audit reporting packages for the fiscal years ending June 30, 2010 and June 30, 2011 to the Board by the requisite due date.

12. At its public meeting held on November 26, 2012, the Board determined that the Charter Operator was not in compliance with the laws of this state and with its Charter when it failed to timely submit its financial statement audit reporting package for the fiscal year ending June 30, 2012. The Board passed a motion to withhold ten percent of the monthly apportionment of state aid that would otherwise be due the Charter Operator and to issue a notice of intent to revoke the Charter of the Charter Operator.

13. On November 30, 2012, the Charter Operator submitted a complete financial statement audit reporting package for the fiscal year ending June 30, 2012.

AGREEMENT TERMS AND CONDITIONS

The Parties agree as follows:

14. That because of the Board's decision to issue a notice of intent to revoke the Charter, the Charter Operator is subject to the revocation and termination of its Charter.

15. That A.R.S. §§ 15-183(Q) and 41-1092.07(F)(2) provide that informal disposition of this matter may be made by stipulation, agreed settlement, consent order or default.

16. In consideration of the Parties foregoing their option to proceed with the charter revocation proceedings and hearing, it is in the best interests of the Board and the Charter Operator to mutually resolve this matter.

The Charter Operator agrees as follows:

17. That the Charter Operator waives its right to a hearing and to provide its defense, except as set forth herein, on the Recitals set forth in this Agreement.

18. That 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.

19. That the Charter Operator shall submit a complete financial statement audit reporting package for the fiscal year ending June 30, 2013 by November 15, 2013 and submit a complete financial statement audit reporting package for all subsequent fiscal years of its operation no later than November 15 of the following fiscal year. If the Charter Operator qualifies for a single audit, the Charter Operator shall submit a complete single audit reporting package for the applicable fiscal years of its operation no later than March 31 of the following fiscal year.

The Parties agree as follows:

20. That if the Charter Operator fails to comply with paragraph 19 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 appropriate 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 Contract for breach of this Agreement and with its Charter and the state laws identified in the Recitals.

21. That 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.

22. That if the Charter Operator 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.

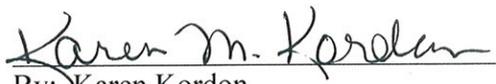
23. That the Charter Operator has the legal right to consult with an attorney prior to entering into this Agreement.

24. That the Parties shall be responsible for their own attorneys' fees and costs, if any, in this matter.

ARIZONA STATE BOARD FOR CHARTER SCHOOLS

By: Jake Logan
President, Arizona State Board for Charter Schools
Date: _____

CAMELBACK EDUCATION, INC. AND CAMELBACK ACADEMY


By: Karen Kordon
Charter Representative, Camelback Education, Inc.
Date: 12/12/2012

COPY mailed this
17 day of Dec, 2012 to:

Camelback Education, Inc.
Attention: Karen Kordon, Charter Representative
7634 West Camelback Road
Glendale, AZ 85303

By _____
2961202/P0012012003837ksa

**Camelback Academy
Governing Board Minutes**

MINUTES

December 12, 2012

4:00 PM

Room 121

Members Present: Carlos Ortega, Jeff Ogle, Karen Kordon, James Kordon
Members Absent: Joe Eriquez
Staff Present: None
Other Community: None

- I. Meeting was called to order at 4:00 PM.
- II. Pledge of Allegiance was recited and moment of silence was observed
- III. Roll was called. Carlos Ortega, Jeff Ogle, Karen Kordon, and James Kordon were present. Joe Eriquez was absent.
- IV. Discussion and Possible Board Action on the Following:
 - A. Audit update
 - a. Karen told the board that the FY 2011 audit was submitted 2 weeks late. It was submitted to the Arizona State Board for Charter Schools on November 30, 2012.
 - B. ASBCS Settlement Agreement
 - a. Karen explained that because the audit was submitted late again this year, the third consecutive year, the Charter Board voted at their November meeting to withhold 10% of the school's apportionment if the audit was not turned in by the December deadline. Since the audit was submitted on November 30th, no withholding will occur.
 - b. Additionally, the Charter Board voted to begin proceedings for a hearing with the intent to revoke Camelback Academy's charter. The intent to revoke was passed because Camelback's audit has been late for 3 consecutive years. Camelback violated their charter agreement and state law which mandates that school submit an annual financial audit by either November 15th, or March 31st, (for a single audit.)
 - c. Karen told the board that immediately following the audit submission; she drafted a letter to the Charter Board, requesting that the Board enter into a Settlement Agreement with Camelback Academy rather than the process of the hearing. On Monday, December 10th, Karen said she received a response from the Charter Board with the Settlement Agreement. Camelback's board will have to vote to accept the Settlement Agreement and then the Charter Board will vote to either accept or reject the Agreement.
 - d. Karen explained that if the Charter Board does not vote to accept the Agreement, they will move forward with the Hearing.
 - e. Karen explained that a Settlement Agreement would hold the school to specific expectations laid out by the Charter Board with the understanding that if the school violates the Agreement, the Board would potentially revoke Camelback's charter.
 - f. Carlos Ortega asked why this year's audit was submitted late. Karen answered that although the compliance portion was complete; the auditor did not receive the database from the school's contracted financial consultant in time to complete the audit by November 15th. The reason it was not received on time was because the school's contracted financial consultant

was in a serious car accident during this period and was not able to complete his portion until two weeks later than planned. This put the audit behind schedule by two weeks.

- g. Karen read the Settlement Agreement in its entirety to the board.
- h. Karen explained the structure that she and her team put in place to ensure that all future audits would be completed and submitted on time.
 - i. Trial balance reports will be run within 10 days of the end of the previous month and quarter.
 - ii. Reports will be reviewed, line by line, looking for comparisons from year to year.
 - iii. Corrections, if necessary will be made on a monthly and quarterly basis.
 - iv. Wage reports will be run each quarter and compared to 941 summary, and payroll tax summary.
 - v. The team will meet with the accountant on a quarterly basis to review books for correctness.
 - vi. Within two weeks after the end of the fiscal year, the school's books will be complete and ready for audit.
- i. Karen asked for questions or comments.
 - i. Jeff Ogle asked if we intended to use the same auditor for the fy12 audit. Karen answered that since they put in place a proactive structure, it was her desire to contract with the same accountant, if the board did not object. There were no objections.
 - ii. James Kordon asked if Karen was going to run the monthly and quarterly reports or was the school's financial consultant. Karen answered that she would run the reports, make necessary corrections, and meet with the accountant on a quarterly basis.
 - iii. Jeff Ogle asked for confirmation that the agreement stipulated that the school submit all future audits on time; Karen confirmed as such.
 - iv. No further questions or comments were made.
- j. James Kordon motioned to accept the Settlement Agreement as written. Jeff Ogle seconded the motion. The vote was unanimous.

C. Teacher/Principal Evaluation Tool Timeline

- a. Karen read two documents to the board regarding the State's mandated Teacher and Principal Evaluation Instrument; The Application of Teacher/Principal Evaluation Statutes to Charter Schools Memo and the HB2823: Distinguishing District Responsibilities from Charter Responsibilities in Conducting Principal and Teacher Evaluations.
- b. Karen proposed that since the school's current Teacher and Principal evaluation instruments meet the requirements as read that we keep the current instrument with the implementation of the performance classifications of Highly Effective, Effective, Developing and Ineffective for the 2013/2014 school year.
- c. Carlos Ortega motioned that the school continue implement the current instrument, with necessary changes for the 2013/2014 school year. Jeff Ogle seconded the motion; the vote was unanimous.

D. Karen Kordon motioned to adjourn until January 15, 2013. Carlos Ortega 2nd the motion.

Respectfully Submitted:

James Kordon
Board Secretary