

Career Academy of South Bend, Inc.

Minutes of Initial Meeting of Board of Directors
February 14, 2011

Directors Present: Larry Garatoni, Tracy Graham, Steve Hartz, Vivian Sallie, Rob Staley, James Summers

Also attending: Philip Panzica, Thomas Panzica, Charles Loeser, Harry V (candidate for principal)

Participating by phone: Kevin Teasley, Dana Johnson

The initial meeting of the Board of Directors of Career Academy of South Bend, Inc. ("CASB" or "the Corporation") was held at the Crescent at Blackthorn, Building One, 3801 Crescent Circle, South Bend, Indiana, at 3pm on February 14, 2011, pursuant to notice posted on the CASB website, <http://www.southbendcareeracademy.org/>. All members of the Board of Directors were present other than Suzanne Wiwi, who has recently agreed to serve to replace Jim Welling, who has resigned.

Larry Garatoni presided and called the meeting to order at 3:10 pm, beginning by thanking all for coming and asking if any introductions were needed. Harry V, an observer, introduced himself, saying he had interviewed for the position of principal the week before. Larry welcomed him, commenting that this meeting and all the Board's meetings will be open to the public, in accordance with the Indiana Open Door Law.

Larry introduced Phil Panzica, an architect and a principal of Panzica Building Corporation, and explained that before starting the Board meeting, Phil would give a tour of the building and a presentation of the proposed design for remodeling the building to be used for the school. Larry explained that the original proposed site, 1915 North Bendix, was found to be too small for the school's needs, and after extensive discussions with owners of adjacent properties, it became clear that no adjacent property could be secured, so it was necessary to abandon the Bendix site. Larry and Steve Hartz are recommending that the Board select the Crescent One Building as the site for the school.

Larry explained that Phil has devoted a great deal of time over the past two month to working with Larry and Steve, together with Kevin Teasley from the GEO Foundation, on the possible design for the school, initially at the Bendix site and recently with the Crescent building. This has included page by page review of research on how architectural design influences learning, including *The Language of School Design* (Prakash Nair and Randall Fielding), which Larry recommended. After extensive discussion of the design-patterns in the Nair-Fielding book, a consensus was reached, and many of those ideas have been incorporated in the proposed design.

The meeting was then adjourned for Phil's presentation to the Board on the proposed design (which is substantially complete but subject to further review and possible modification), followed by a tour of the building.

The meeting resumed at 3:55pm, and Larry referred to the agenda that had been distributed (copy attached).

A. Confirmation of Suzanne Wiwi as new Board member.

Larry explained that after Jim Welling resigned from the Board, Suzanne Wiwi had agreed to serve, but could not be present at this meeting. Larry asked if any member wished to discuss or move to approve Suzanne joining the Board. Vivian moved to approve Suzanne joining the Board, Rob seconded, and the motion was carried unanimously.

B. Approval of bylaws.

Larry explained that the bylaws as submitted with the charter application to the Ball State University Office of Charter Schools differed in some ways from the Ball State model bylaws, but that while BSU required some modifications, there was no comment on other variances, so the bylaws as proposed differ in some ways from the OCS model. Larry asked if any member wished to discuss or move to approve the bylaws. There was no discussion. Steve moved for approval, Tracy seconded, and the motion was carried unanimously.

C. Election of officers.

Larry explained that a charter school organization is required to have a Chair, a Secretary, and a Treasurer, and may have other offices if desired. Larry explained that he and Steve Hartz have been acting more or less as partners in efforts to get the school started, and that they are proposing a slate of officers including Larry to be Chair and Steve to be President, which will include representing the school to the public and serving in place of the Chair when the Chair is not available. They also propose that Larry serve as Treasurer, in part because the Corporation's financial affairs at this point will largely concern building issues, which Larry has been working on for many months. As to the position of Secretary, Larry explained that his associate, Charles Loeser, an attorney, can do the majority of the work, especially preparing draft minutes, but it is suggested that a Board member volunteer to serve as Secretary, working with him as needed. James Summers offered to accept the position of Secretary. Larry asked if any member wished to discuss or move to approve the slate of Larry as Chair and Treasurer, Steve as President, and James as Secretary. Rob moved for approval, Vivian seconded, and the motion was carried unanimously.

D. Designation of committees.

Larry explained that there are no legal requirements as to committees and the OCS model bylaws don't specify any committee structure, other than authorizing two or more directors to act as an Executive Committee, so the Board is free to name whatever committees it considers appropriate. Larry and Steve suggest that most of the work to be done for the school should be handled through committees, which will bring proposals to the Board for approval. Larry and Steve's recommendations are that the following committees be established:

- Executive Committee, to consist of Larry & Steve, who have effectively been acting in that capacity for over six months.
- Building and Grounds Committee: to deal with design issues and related choices, including a proposed architectural service agreement with Panzica Building Corporation. Larry wishes to chair this committee.
- Finance Committee: to be responsible for obtaining financing for the school and related choices, including a proposed agreement with attorney Jon Anderson, who has substantial expertise in charter school finance, as well as the proposed agreement with GEO Foundation to serve as the educational management organization (EMO) for the school. Larry wishes to chair this committee.
- Marketing/Community Relations Committee: responsible for marketing the school to students and parents as well as relations with governmental agencies and other public organizations. Steve wishes to serve on this committee.
- Academics Committee: to work on curriculum design, including project-based learning, incorporating multiple learning styles, vocational education, and other non-standard approaches outlined in the charter application. Steve wishes to serve on this committee.
- School Operations Committee: to handle issues relating to school operations other than curriculum. Since it is intended that GEO Foundation will manage the school, this committee would work closely with GEO.
- Development Committee: this committee would handle public fund-raising, but as the school will rely primarily on state tuition revenue, all plans are to be made with the goal that the school should never rely on donations from the public.

The floor was opened for discussion of what committees are appropriate and who would like to serve on and chair the various committees. James stated he would like to serve on the Marketing Committee. Tracy asked about the rationale for having "School Operations" as a committee separate from the committee responsible for the curriculum. Larry said this is an open question, but the rationale was that curriculum is such a major issue that it should be separated from other matters, such a review of GEO's performance as manager. Rob said he agrees that curriculum needs a separate focus, and asked if other operational matters aren't basically handled by GEO. Larry confirmed GEO will essentially run the school, and that GEO, in its management of other

very successful charter schools, has developed an extensive set of policies and procedures, as well as curriculum materials, many of which were included in the CASB charter application. Vivian asked if the Operations Committee would therefore work essentially as a liaison to GEO; Larry replied the idea was to be largely a liaison, but also to be responsible for overseeing GEO and making sure the job is done. Tracy asked if relations with GEO wouldn't be handled primarily by the Executive Committee. Larry said he would prefer that this role be more widely distributed. Steve said he feels it's logical for the Executive Committee to play the leading role in dealing with GEO at the outset, but after the school begins operations, it would best to have this responsibility handled by a separate group. Larry said that in general, he wants to avoid having too much handled by the Executive Committee. Tracy said he would like to serve on the Finance Committee and/or the Academic Committee. Rob asked if someone who is not a member of the Board can serve on a committee, to which Larry said yes, the bylaws authorize that. Rob said he would like to serve on the School Operations Committee. Tracy said he would also be willing to serve on the Building & Grounds Committee. Rob suggested that with this number of committees, it might be a challenge for directors to handle of this, so perhaps it would be best to make sure there's one Director on each committee, and find non-directors to fill out the committees. Larry commented that it's an open question how large the board should be, and that the board could be expanded, but that there's inevitably a loss of efficiency with a larger board. Tracy suggested that rather than increase the size of the board, he would recommend reducing the number of committees, such as by combining the Marketing/Community Relations Committee with the Development Committee. Steve suggested stay with seven board members, at least for the time being. James agreed with Tracy's comment about combining Marketing/Community Relations and the Development, which Larry agreed makes sense. Rob suggested it would also be appropriate to combine the Operations Committee and the Academic Committee. Tracy agreed, but suggested the name should be the Academic Committee, commenting that these are combined in another school where he serves as a director. After further discussion, Tracy moved & Rob seconded a motion to establish the following committees with members as follows:

- Executive Committee: Larry & Steve.
- Building and Grounds Committee: Larry to chair, also Suzanne.
- Finance Committee: Larry to chair, also Tracy.
- Marketing/Community Relations Committee: James and Vivian.
- Academics Committee: Rob to chair, also Tracy.

The motion was approved unanimously.

E. Indiana Charter Schools & The Open Door Law

Larry introduced Dana Johnson, Vice President & General Counsel of GEO Foundation, participating by phone from Indianapolis. Dana explained that Indiana law requires that all decisions made by a charter school be made in public; that notice of the meeting

must be posted at least 48 hours in advance; and that minutes must be made public. Dana commented that it is often supposed that public meeting requirements can be avoided by holding “executive sessions”, but in fact the law allows closed meetings (executive sessions) only for specified topics. Dana pointed out that although the OCS model bylaws for charter schools provide that a Board may establish an executive committee to “exercise all of the authority of the Board . . . during intervals between the meetings of the Board,” such action is subject to the approval of the Board; the Executive Committee cannot take action that is binding on the Corporation without the Board’s approval of the action. Dana also explained that under the Open Door Law, any director who participates in a meeting by phone cannot be counted for quorum purposes, and cannot vote.

Kevin Teasley explained he needed to leave the call, and Larry thanked him for participating. Larry thanked Dana for her presentation on the Open Door Law, and in order to allow her to finish her participation in the meeting, asked her to go ahead with her presentation about the GEO Foundation (skipping ahead in the agenda).

F. The GEO Foundation: Background and Proposed Relationship.

Dana explained that Kevin Teasley founded the GEO Foundation in 1998 and was involved in the passage of Indiana’s initial charter school law in 2002. Soon after that, he was part of the group that got the first charter approved in the state, for the school that is now Fall Creek Academy (Indianapolis), now in its ninth year of operation, with over 400 students, a full K-12 program, and a record of academic success. Dana commented her daughter is a student there and taking classes for college credit, as are many Fall Creek students. As with all the schools managed by GEO, it targets a diverse population, including over 80% of the students qualifying for free and reduced lunch programs. In 2005 GEO opened three schools: Fountain Square Academy (Indianapolis), the 21st Century Charter School of Gary (which has been honored by the Indiana Department of Education for the high percentage of its students achieving high academic growth in both Mathematics and English/Language Arts during the 2009-2010 school year as measured by ISTEP results), and Pikes Peak Academy (Colorado Springs). Dana joined GEO in 2005, working not just as an attorney but on operational matters other than academics (such as budgeting; Dana has an MBA). GEO’s role is to work with charter school boards to operate schools under Board policies, taking the day-to-day management responsibilities, such as accounting, H.R., finance, special education, lunch programs, and academic programs. Tracy asked what the post-graduation experience of students at GEO’s schools has been. Dana said of the two graduating classes from Fall Creek to-date, many have gone to college; Gary has had one graduating class, with all students going to a two-year or four-year college, other than one who joined the military. Rob commented that “post-secondary education” should be the focus, not necessarily college, to which Dana agreed.

Kevin having called back in, Larry asked him to describe how GEO will work with the Board. Kevin said that GEO will manage the school for and at the direction of the Board. GEO representatives, usually he and Dana and others as necessary, will attend all Board meetings (by phone), as will the School Leader, who will provide a report at every meeting. Last week GEO completed its interviews of School Leader candidates, and selected two candidates for the Board to interview and choose from. GEO staff will work with the committees established by the Board and prepare agenda items for the Board's consideration. The objective is for the Board to establish policies and budgets, without needing to deal with the details of day to day operations. The Board should be known by and visible to students and parents, but Board members should be careful about responding directly and individually on issues, since anything they say may be interpreted as the policy of the school by parents or others who do not understand that the Board needs to act as a body, after review and deliberation. Tracy asked how many management contracts GEO currently has. Kevin said GEO has contracts for four schools it has been managing for the past five or six years, and with the coming school year will have six contracts. Kevin said that GEO will work closely with the Board's committees. Rob asked if GEO will drive the committees. Kevin said that is not GEO's preference, but GEO will do so if necessary. Kevin suggested that the Board interview the two candidates for School Leader next week. After discussion, it was decided that this should be done next Wednesday or Thursday. Rob asked if the Board's views on the candidates will be controlling or whether this is a consultation process. Kevin said GEO is working to help the Board, not to control the school, and if the Board doesn't like either of the proposed candidates, GEO will look for other candidates, until the Board is satisfied. Rob said it is important for as many Board members as possible to participate in the interviews. Larry agreed, saying the choice of a School Leader is the most important decision the Board will make. Vivian said she will be out of town all next week and will not be able to participate. Kevin explained the intent is to have an interview of roughly an hour (longer if the Board wishes) with each candidate, with as many Board members participating as possible, by phone if necessary, followed by a discussion between the Board to arrive at a consensus. Larry asked whether it would be appropriate, since the decision is so important, to have the candidates take some form of standardized test. Kevin said that might be appropriate, but it wouldn't make sense to incur that expense until the Board first decides, based on an interview, that a candidate is worthy. Larry asked that Kevin look into what tests might be appropriate and what the cost would be. It was agreed to schedule the interviews after all have had a chance to review their schedules & follow up by email.

G. Scheduling Board Meetings.

It was agreed that the next Board meeting should be February 28 at 3pm at Innovation Park, 1400 East Angela, South Bend, and that in the future there should be a regularly scheduled meeting (second Monday of each month, or something of that nature), but deciding on an ongoing schedule for meetings was left for a later date.

H. Corporate Structure & Relationships.

Larry explained that with the advice of GEO, he has consulted with an Indianapolis attorney, Jon Anderson, who specializes in non-routine financing and has said that he believes it is possible to obtain loans and grants for the acquisition and remodeling of the school, using a combination of programs; one item for the Board's consideration will be Larry's recommendation that the Board enter into an agreement to retain Jon to assist with financing for the school.

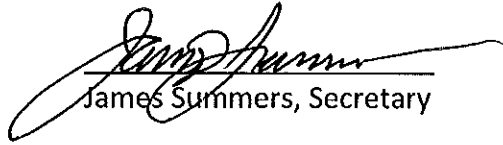
One question that has been raised with Jon is whether it is desirable to have the land and building owned by a separate entity and leased to CASB. Jon has advised that to have a separate realty company is appropriate from a financing standpoint and desirable from a tax standpoint, since that would eliminate the potential for "unrelated business income" ("UBI") which could complicate CASB's status as a 501c3 tax-exempt entity. If CASB were to own the building, there would be a potential problem of UBI based on rent received for allowing portions of the building to be used by The Apprentice Academy, Steve Hartz's vocational education program, aimed mainly at adults; the intent is that The Apprentice Academy's vocational education equipment will be used at the school building during the day by CASB students and during evenings by adults and potentially other high school students. Additional revenue (rent) from The Apprentice Academy will help pay the loans for the acquisition and remodeling of the school building.

It's possible, Larry said, that rent from The Apprentice Academy might not be treated for tax purposes as "unrelated" but there is no need to take any risk of that if a separate realty company is used, so he is recommending that the Board approve a structure with a realty company owning and leasing the building, as illustrated by the structure diagram previously distributed (a copy is attached). To simplify how this would work, the recommendation is that the realty company and The Apprentice Academy be controlled by the same board of directors as CASB, i.e., each member of the CASB Board will also serve on the board of directors for those two entities.

If this is done, Larry said, the demands on board members relating to the other two corporations would not be great. It won't be necessary to have monthly meetings for the other two boards, and when there are meetings, they can be scheduled to follow CASB board meetings. Larry and Steve are near to hiring a manager for The Apprentice Academy, who would work with the CASB School Leader to coordinate the vocational education programs, so the Board's involvement with operations for The Apprentice Academy would be limited.

Larry said he did not want to ask the Board to make a decision on the legal structure question at this point, but wanted to present the question for the Board's consideration so that everyone has time to think about it before making a decision.

With that, Larry said, it is getting late, and he recommends the meeting be adjourned, with the other agenda items to be taken up at the next meeting. Vivian moved that the meeting be adjourned, Tracy seconded, the motion was carried.



James Summers, Secretary