



BOARD OF DIRECTORS MEETING

Special Call Meeting

Minutes

Friday, October 29th, 2010 7:30-8:00am

Board meeting called to order at 7:37 am by Board President Earl Fredrick. Members present: Earl Fredrick, Kevin Bargon, Rudy Martin and Mary McCann by phone. Also present are Farland Jenkins and Leah Rodgers from K12 and Board attorney Allen Wall.

The purpose of this meeting is to approve the K12 MOU, the budget, and the draft audit report.

Board Business

Approve K12 Memorandum of Understanding

Discussion: Mr. Bargon will outline the items of the MOU that have been negotiated. The MOU will be effectively identified as the binding intent to enter into a new service agreement with K12. K12 has included the financial guarantee and has already agreed to hire a new Board Administrator that will support CPS compliance.

K12 Bonus: The bonuses will never amount to more than 50% of the net assets and CVCS will never have to repay K12 for debt forgiveness. The maximum bonus will be 50% of the unrestricted funds and this is if K12 meets 100% of the thresholds. The academic thresholds are based on passing rates and AYP achievement. The points for the thresholds have not been fully resolved. The bonus will also be based on the CPS compliance indicator systems. One time grants or dollars intended for a specific purpose are not included in the potential bonus pool. Currently, the Board continues to expect deficits.

Termination of Contract: When there is a breach of contract on either side, either party must inform the other side within 45 days. An adverse material condition would make it difficult for K12 to operate. The Board was uncomfortable leaving the materiality open ended. An adverse change of 20% or more is a material change. 10-20% is debatable and less than 10% is not a material change. This is a non-binding definition of materiality that K12 is comfortable with. Terminating the contract would be a last resort and would go to arbitration. In the event that K12 breaches due to materiality CVCS would have the option to continue with another service provider.

There are still some additional changes that need to be made to the final service agreement. Failure to sign the MOU would mean that the Board would not be able to finalize the audit or the CPS budget.

Action: Mr. Bargon motioned to approve the binding Memorandum of Understanding. Mr. Martin seconded. Roll call vote: Mr. Bargon, Aye. Mr. Martin, Aye. Ms. McCann, Aye. Dr. Fredrick, Aye. Unanimous Aye.

Approve Revised FY11 Budget

Discussion: The MOU that K12 sent states that there should be an additional \$25,000 in the FY11 budget. There should be \$25,000 in additional expenses and taken out of K12's fees. This item does not change the total expenses because it is offsetting the K12 fees. -K12 is reducing

their fees by \$630,000. They typically receive 22% of qualified revenue and are slated to get less than 10%.

Action: Mr. Bargon motioned to approve the revised FY11 budget as amended. Mr. Martin Seconded. Roll call vote: Ms. McCann, Aye. Mr. Martin, Aye. Mr. Bargon, Aye. Dr. Fredrick, Aye. Unanimous Aye.

Approve Draft Audit Report

Discussion: The audit report states that CVCS and K12 are negotiating the terms of the service agreement. It also states that CVCS did not name a Freedom of Information Act Officer. This has since been rectified. The student files did not contain a sign in sheet. He assumes that this issue has also been resolved. Issues from last year's audit have also been resolved. The auditors will be at CVCS in November and December to talk about the budget.

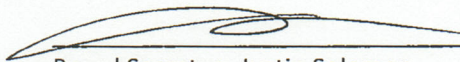
Action: Mr. Bargon motioned to approve the draft audit report. Mr. Martin seconded. Ms. McCann, Aye. Mr. Bargon, Aye. Mr. Martin, Aye. Dr. Fredrick, Aye. Unanimous Aye.

Approve CPS Budget & First Quarter Financials

Action: Mr. Bargon motioned to approve the CPS budget and first quarter financials which reflect the binding MOU. Ms. McCann seconded. Unanimous Aye.

Mr. Martin motioned to adjourn the meeting at 8:19 am. Seconded by Ms. McCann. Unanimous Aye.

Respectfully submitted,



Board Secretary Justin Solomon

1/10/11
Date