



## UTAH STATE CHARTER SCHOOL BOARD

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Marlies Burns,  
Executive Director

250 East 500 South  
P.O. Box 144200  
Salt Lake City, UT 84114-4200

Phone: 801.538.7720

### MEMORANDUM

**TO:** Members, Utah State Board of Education

**FROM:** Marlies Burns, Executive Director

**DATE:** June 9-10, 2016

**ACTION:** Voluntary Charter Improvement Process Proposal for American Preparatory Academy – Salem

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#### **Background:**

The State Charter School Board (SCSB), in October 2015, approved the Voluntary Charter Improvement Plan for American Preparatory Academy – Salem (formerly Liberty Academy). The proposal included: (1) terminating the charter for American Preparatory Academy – Salem; (2) granting a satellite school to Utah Charter Academies (UCA), the legal entity that governs all American Preparatory Academy schools, maintaining the same school name, number of students authorized, grades served, and facility; and (3) the process for transfer of assets and liabilities.

The Board denied the request, without prejudice, and provided specific terms needed and a plan to the SCSB.

American Preparatory Academy – Salem met all of the terms and conditions of the new agreement and provided a new proposal to the SCSB at its May 2016 meeting. Agreeing the changes complied with statute, the SCSB voted to approve the plan. The executive summary report is included and additional information about the contract and proposal can be found at: [http://schools.utah.gov/charterschools/State-Charter-School-Board/2016-Board-Meetings/May-2016/AMERICAN\\_PREPARATORY\\_ACADEMY-Salem-Voluntary-Improvement-Process-request.aspx](http://schools.utah.gov/charterschools/State-Charter-School-Board/2016-Board-Meetings/May-2016/AMERICAN_PREPARATORY_ACADEMY-Salem-Voluntary-Improvement-Process-request.aspx)

#### **Board Strategic Plan:**

This item supports the imperative(s) and strategies in the Board's Strategic Plan by providing a transparent public educational system using evidence-based data that informs the public on the effectiveness of public education and by empowering stakeholders with information to decide how, what, and where students are taught.

#### **Anticipated Action:**

The Law and Licensing Committee will consider approving the State Charter School Board's request, as outlined in the Voluntary Charter School Improvement Process contract and proposal from American Preparatory Academy – Salem documentation. If approved by the Committee, the Board will consider approving the request.

**Contact:** Marlies Burns, Executive Director, State Charter School Board, 801-538-7817

# **Voluntary School Improvement Process**

**American Preparatory Academy-Salem**



# AMERICAN PREPARATORY ACADEMY

## **Application to APA-Salem for Transfer of Governance to Utah Charter Academies**

The Governing Board of Utah Charter Academies (UCA) having provided Notice of Intent on April 6, 2016, hereby submits the following application to APA-Salem ("the charter school"), formerly Liberty Academy, to assume their Charter pursuant to U.C.A. §53A-1a-509.5(6).

Dear APA-Salem,

Utah Charter Academies is formally applying to receive transfer of the APA-Salem Charter and offers these points for your consideration:

1. Liberty Academy has struggled to meet its school vision since opening in 2006-07.
2. Liberty Academy's governing board's search finds American Preparatory Schools (APS), the management company utilized by UCA.
3. APS has successfully operated the charter school since Summer 2013.
4. Transferring the Charter to UCA would be the least disruptive outcome for the students, faculty, and community.

1. Liberty Academy has struggled to meet its school vision since opening in 2006-07

Within Liberty Academy's original application to the Utah SCSB, a description of administrative and supervisory services states, "The Headmaster will ensure that the following are appropriately addressed; curriculum; professional development; student discipline; management of school equipment and facilities; supervision of instruction; compliance with federal and state reporting requirements; public relations; school progress; liaison with Board of Trustees; coordinator with any Parent organization; school supplies; safety; planning, to include extracurricular activities; coordination of curriculum with concurrent enrollment, advance placement and vocational instruction; grant writing and reporting; etc." (p. 35).

Prior to APS, Liberty Academy found itself repeatedly in violation of R277-481, "insufficient student documentation." Student attendance, test data, curriculum inventory, Title I Inventory, and other records were not accurately maintained. In Spring 2012, the NWAC Accreditation team issued required actions regarding the improvement of instructional practices, the establishment of formal teacher mentoring programs, and the communication of comprehensive information regarding student learning to stakeholders. They found "no" to "minimal" evidence of these activities occurring in the school. Enrollment was declining. The charter school had experienced several Headmaster changes, and the school was drifting from the vision and goals outlined in its original Charter. The overriding mission of the Liberty Academy, as stated on page 8, included:

- To provide a spirit of selflessness aimed to better our communities through becoming active and contributing members in society.

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# AMERICAN PREPARATORY ACADEMY

- To instill and foster leadership in all students to understand the rights and responsibilities of American citizenship.
- To view students as individuals with unique abilities and interests.
- To inspire and facilitate a love of learning.
- To provide the knowledge and skills necessary to master all subjects at all levels of learning.
- To partner with parents in a supportive role for their children.
- To instill virtue and develop character through classroom and extra-curricular activities.
- To recognize and reward excellence in instruction through retaining and compensating quality teachers.
- To utilize the best research in curriculum through adopting the Core Knowledge Sequence .... To teach with Socratic and some direct instruction...

"The program of instruction for the kindergarten through 8<sup>th</sup> grade will feature the Core Knowledge Sequences that emphasizes content, as content grows language.... It is our intent that students will master all subjects, skills, and to develop a core foundation, steeped in content from which to draw for greater cognitive learning in the 7-12 program." (p. 9). "

2. Liberty Academy's governing board's search finds American Preparatory Schools (APS), the management company utilized by UCA.

Recognizing a need for change, you began a search for a high performing charter school organization to help manage the school and change its trajectory. You were looking for an organization whose charter aligned well with the original vision of your founding members. You wanted an organization with a proven track record in effective instruction, student achievement, American ideals, character development, fiscal responsibility, and reporting compliance. That search led you to American Preparatory Academy. By Summer 2013, you had entered into an agreement with APA's management organization, American Preparatory Schools (APS).

3. APS has successfully operated APA-Salem since Summer 2013.

Within four months APS had inventoried your curriculum; secured \$100,000 in foundation grant funds for curriculum and \$10,000 for the character development program; modified the school facility for small, breakout classrooms to accommodate small-group differentiated instruction in math, reading, and spelling; created a Comprehensive Needs Assessment; worked with stakeholders to develop a School Plan; filled dozens of staff openings with qualified individuals; and provided all instructional staff with 80 hours of pre-service training.



# AMERICAN PREPARATORY ACADEMY

Within the almost three years APS has managed Liberty Academy (now formally APA-Salem), the charter school has emerged from SCSB Probationary status, received a congratulatory letter from the USOE for achieving a reading growth target of 98.3% (the goal target was 60.7%), satisfied the requirements of the Accreditors, and submitted 100% of compliance reports on time (Appendices A, B, C, and D respectively).

Enrollment has increased each year (Table 1). Dibels and Direct Writing Assessment scores dramatically improved (Tables 2 and 3). Standardized State Assessment results are difficult to compare due to the change to SAGE during the first year of APS Management and high opt out percentages from the SAGE (over 33% in 2015), but are provided here for comparison (Table 4).

**Table 1. Enrollment and Attendance**

|         | Number of Students Fully Enrolled | % Attendance |
|---------|-----------------------------------|--------------|
| 2012-13 | 368                               | 91%          |
| 2013-14 | 383                               | 94%          |
| 2014-15 | 434                               | 94%          |
| 2015-16 | 453                               | N/A          |

**Table 2. Dibels Proficiency Data**

|               | *May 2013 | May 2014 | May 2015 |
|---------------|-----------|----------|----------|
| Kinder garden | 50%       | **93%    | 88%      |
| 1st Grade     | 46%       | 85%      | 78%      |
| 2nd Grade     | 51%       | 73%      | 82%      |
| 3rd Grade     | 54%       | 75%      | 90%      |

\*Scores used are percent of students proficient on DIBELS Oral Reading Fluency.

\*\*APS was able to offer a full-day kindergarten during its first year with Liberty Academy.

**Table 3. Direct Writing Assessment Proficiency Data**

|                       |     |     |
|-----------------------|-----|-----|
| 5 <sup>th</sup> Grade | 55% | 76% |
| 8 <sup>th</sup> Grade | 36% | 85% |

**Table 4. CRT and SAGE Comparison Data**

| 2013 CRTs           | ELA | Math | Science | 2015 SAGE           | ELA | Math | Science |
|---------------------|-----|------|---------|---------------------|-----|------|---------|
| Liberty Academy     | 75% | 64%  | 64%     | Liberty Academy     | 34% | 37%  | 40%     |
| Salem Elementary    | 77% | 75%  | 82%     | Salem Elementary    | 45% | 41%  | 44%     |
| Foothill Elementary | 83% | 84%  | 84%     | Foothill Elementary | 53% | 49%  | 58%     |
| Salem Junior High   | 94% | 88%  | 84%     | Salem Junior High   | 45% | 44%  | 44%     |
| Mt. Loafer          | 86% | 89%  | 86%     | Mt. Loafer          | 50% | 53%  | 60%     |



# AMERICAN PREPARATORY ACADEMY

As Liberty Academy governing board chair, Dee Henderson wrote to the State Charter School Board on January 22, 2014:

"On behalf of Liberty Academy's governing board, I would like to share our unreserved satisfaction with the transformation that has occurred this year under the direction of American Preparatory Schools. After years of trial and error with our leadership and our curriculum, Liberty's board feels that the Academy is finally meeting the educational objectives established by the original charter and expected by our parents. We are seeing accelerated growth in reading and math, and for the first time we are receiving accurate and timely data that confirms those results."

It is anticipated that additional gains will be realized with transferred governance, full status as an American Preparatory Academy campus, and continued leadership under American Preparatory Schools.

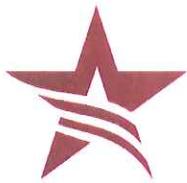
4. Transferring the Charter to UCA would be the least disruptive and most satisfactory outcome for the students, parents, and faculty at APA-Salem, fna, Liberty Academy.

From the school uniforms to the staff professional development, stakeholders at APA-Salem have come to identify as an American Preparatory Academy campus. They utilize APA's curriculum and instructional methodologies, participate in joint professional development, engage in the Builder/Ambassador character development program, and much more.

Parents report high levels of satisfaction with the school. Of 292 parents surveyed in 2015, 86% were satisfied or very satisfied with the overall performance of the school. 88% felt the same way about the curriculum and 87% with the overall academic program. 90% of parents felt there were opportunities for parent classroom involvement (Appendix E).

Operations of the charter school would continue without interruption. The management contract currently in place with the EMO, American Preparatory Schools, would transfer to UCA. Termination of APA-Salem's charter and transference of the governance of the school to UCA would have the following implications and intentions:

- UCA would assume all fiduciary responsibility for APA-Salem. All assets, with the exception of real assets, would inure to UCA. All liabilities, with exception of the facility-related bond and facility-related USDA loan, would also inure to UCA.
- The non-profit entity Liberty Academy would continue to exist solely for the purpose of holding the current school facility to satisfy bond requirements. The APA-Salem board would agree to lease the building to UCA at price equal to or very nearly equal to the debt-service cost. Bondholders and the USDA have been preliminarily notified that a change in charter holder may potentially occur.

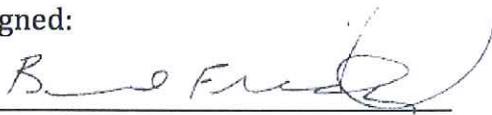


# AMERICAN PREPARATORY ACADEMY

- One of the APA-Salem board members would be invited to join the UCA board for at least 2 years following the transition.
- When the APA-Salem charter is dissolved, all employees would be released from employment. UCA intends to hire 100% of the current employees at their current contract rates. The former APA-Salem employees would become UCA employees with UCA health and retirement benefits. UCA's employees are not members of the URS. Upon approval of this proposal, all employees would be notified of the impending changes to their employment, and their benefits, including retirement benefits.
- Parents and staff at APA-Salem would be notified of the school's new governing body. Written information regarding the details of the board, their names and contact information, would be disseminated to parents.
- APA-Salem students would be transferred from APA-Salem to UCA. This transfer would result in a direct increase in enrollment in UCA student counts and payment from the USOE to APA-Salem would cease, with a corresponding increase in payments to UCA.

Utah Charter Academies is invested in the success of APA-Salem and believes its demonstrated leadership and effectiveness with American Preparatory Academy schools in the state of Utah would benefit the students, parents, and faculty and request your consideration.

Signed:

  
\_\_\_\_\_  
Brad Findlay, Chairman of UCA

\_\_\_\_\_  
4/22/16  
Date

Received:

  
\_\_\_\_\_  
Dee Henderson, Chairman of APA-Salem

\_\_\_\_\_  
4/22/16  
Date

## APPENDIX A: APA-Salem Emerges from Probationary Status



### UTAH STATE CHARTER SCHOOL BOARD

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January 20, 2016

Mr. Dee Henderson  
American Preparatory Academy – Salem  
1195 S Elk Ridge Drive  
Salem, UT 84653

Dear Mr. Henderson,

On November 14, 2013, the State Charter School Board (SCSB) placed American Preparatory Academy - Salem on probation for:

- violation of R277-481: repeat audit findings (4<sup>th</sup> consecutive year) specific to Insufficient Student Documentation

"Probation" is a formal status where a charter school governing board receives written notification from SCSB of identified deficiencies and is given a timeline for remedying the deficiencies.

The SCSB placed five requirements on American Preparatory Academy - Salem to be removed from probation (see letter dated November 14, 2013).

SCSB recently reviewed school progress toward these requirements and found it to be satisfactory. As such, as of January 14, 2016, the school is no longer on probation. SCSB appreciates your timely completion of the requirements and looks forward to the school continuing its operation according to its charter agreement. Please do not hesitate to contact SCSB staff or USOE should you require assistance in the future.

Sincerely,

Marlies Burns, Ed.D.  
Executive Director  
State Charter School Board

## APPENDIX B: Reading Growth Target Achieved



*Leadership...Service...Accountability*

August 11, 2015

Dear Executive Director Sharette,

This letter is to inform you of the outcome of American Preparatory Academy-Salem's 2014-15 uniform growth goal achievement. Recently, we completed the 2014-15 analysis of your third grade reading competency data. The uniform growth goal target for 2014-15 for your school district was 60.7%. After reviewing the data and applying the appropriate filters, the initial target reached was 85.1%. In the final calculation, the 95% confidence interval was applied. With the confidence interval enrolled, the final target achieved was 95.3%. With this final target, American Preparatory Academy-Salem has achieved their uniform growth goal target for the 2014-15 school year. Congratulations on making progress towards increasing the percentage of third grade students achieving competency in reading.

If you have any questions about this notification, please contact Sara Wiebke by phone at 801-538-7935 or [sara.wiebke@schools.utah.gov](mailto:sara.wiebke@schools.utah.gov).

Sincerely,

Sara Wiebke  
K-3 Elementary Language Arts Specialist  
Teaching and Learning Department  
Utah State Office of Education

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Brad C. Smith, State Superintendent of Public Instruction

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## APPENDIX C: NWAC/AdvancED Accreditation Determination

October 8, 2015

Richard Fillerup, Director  
American Preparatory Academy – Salem Campus  
1195 S Elk Ridge Road  
Salem, Utah 84653

Dear Director Fillerup,

On September 21, 2015 the Utah State Council for AdvancED / Northwest Commission on Accreditation and School Improvement (NWAC) reviewed and took action on the Accreditation Progress Report filed by American Preparatory Academy – Salem Campus. The Accreditation Progress Report is a required component of the five-year accreditation term granted the school in March 18-19, 2013. The Utah State Council accepted the report and granted continuation of the accreditation term with no findings or additional recommendations. I congratulate you, your staff, and community on the school's continued commitment to AdvancED / NWAC Accreditation.

The school is expected to continue its efforts to faithfully execute and monitor the strategies it has enacted in response to the recommendations from the on-site evaluation for School Accreditation. The school should include an executive summary of the results of such actions as part of its reaffirmation for School Accreditation for its next scheduled Quality Assurance Review Visit.

Once again, I extend on behalf of the AdvancED and NWAC educational community, congratulations on your school's continued commitment to excellence in education. American Preparatory Academy – Salem Campus should be proud of its dedication to continuous improvement and quality assurance focused on helping every student succeed.

Sincerely,

**Mary Kay Kirkland**

Mary Kay Kirkland  
Director  
Utah AdvancED Operations Office

## APPENDIX D: 2015 School Report-Compliance Detail

Report Compliance Detail (For Reports Due During the School Year)

| Report   | 2013          | 2014          | 2015          |
|--|---------------|---------------|---------------|
| Year End Web Survey (YEWS)                     | Not Submitted | On-time       | On-time       |
| Year End UTREx                                 | **            | **            | On-time       |
| Current year budget                            | On-time       | On-time       | On-time       |
| July Financial & Enrollment Report             | #N/A          | #N/A          | #N/A          |
| August Financial & Enrollment Report           | #N/A          | #N/A          | #N/A          |
| Student membership audit                       | On-time       | On-time       | On-time       |
| September Financial & Enrollment Report        | #N/A          | #N/A          | #N/A          |
| Annual Financial Report (AFR)                  | Late          | On-time       | On-time       |
| Annual Profram Report (APR)                    | Late          | On-time       | On-time       |
| Fall enrollment (UTREx)                        | On-time       | On-time       | On-time       |
| October Financial & Enrollment Report          | #N/A          | #N/A          | #N/A          |
| Fall enrollment audit                          | On-time       | On-time       | On-time       |
| November Financial & Enrollment Report         | #N/A          | #N/A          | #N/A          |
| Audited Financial Statements                   | On-time       | On-time       | On-time       |
| December Financial & Enrollment Report         | #N/A          | #N/A          | #N/A          |
| January Financial & Enrollment Report          | #N/A          | #N/A          | #N/A          |
| Feburary Financial & Enrollment Report         | #N/A          | #N/A          | #N/A          |
| March Financial & Enrollment Report            | #N/A          | #N/A          | #N/A          |
| April Financial & Enrollment Report            | #N/A          | #N/A          | #N/A          |
| May Financial & Enrollment Report              | #N/A          | #N/A          | #N/A          |
| June Financial & Enrollment Report             | #N/A          | #N/A          | #N/A          |
| <b>Percent Complete, Accurate, and On-Time</b> | <b>63.0%</b>  | <b>100.0%</b> | <b>100.0%</b> |

Note: not all schools need to submit all reports. In this table "#N/A" means that the school did not need to submit the report and it was not included in the percentage.

\*Data not available at the time of this report

\*\*Not tracked for this metric prior to SY2015

## APPENDIX E: 2014-15 APA-Salem Year-End Parent Survey

| □  | Salem                        |
|--|------------------------------|
|  | No. of Surveys Completed     |
| General Parent Survey  | 262                          |
| General Elementary Survey  | 300                          |
| General Secondary Survey   | 60                           |
| □  | Salem                        |
|  | % Satisfied & Very Satisfied |
| The overall performance of the school  | 86%                          |
| The APA curriculum   | 88%                          |
| The APA teachers overall   | 86%                          |
| The APA instructors overall  | 79%                          |
| Children feel they can approach the front office personnel   | 82%                          |
| Parents are able to obtain information from the front office   | 80%                          |
| APA's overall communication with parents   | 77%                          |
| APA's overall academic program   | 87%                          |
| Extent to which the school facility is kept clean and in good repair   | 81%                          |
| The behavior of the students at school   | 80%                          |
| The pride and responsibility shown by students toward school   | 81%                          |
| The extent to which you feel your child is safe in the building and on the grounds                                 | 87%                          |
| Opportunities for parent classroom involvement   | 90%                          |
| Ease with which parents can get involved with the school   | 89%                          |
| The extent to which you feel up-to-date about what is happening at the school                                      | 77%                          |
| The block scheduling of elementary Math, Reading and Spelling  | 80%                          |
| The school's performance in reinforcing the values taught at APA   | 86%                          |
| The extent to which school rules are fair and enforced   | 75%                          |
| School uniforms help daily preparation for school  | 86%                          |
| School uniforms improve my child's educational experience  | 75%                          |
| I spend less on school uniforms than I would on regular school clothing  | 56%                          |
| I have contributed many volunteer hours  | 72%                          |
| I have contributed financially to APA's success  | 59%                          |
| The weekly school newsletter is an effective communication tool  | 85%                          |
| Sports teams are an important aspect of APA's program  | 54%                          |
| The Ambassador program prepares my student to become a good citizen in the community (5th-9th grade families only) | 72%                          |
| The Ambassador program teaches my student valuable professional and social skills                                  | 75%                          |

**Liberty Academy  
 Balance Sheet  
 As of March 31, 2016**

Mar 31, 16

**ASSETS**

**Current Assets**

**Checking/Savings**

**6000A · US Bank Bond Funds**

|                                  |            |
|----------------------------------|------------|
| 66001 · US Bank - Interest Fund  | 32,480.42  |
| 66002 · US Bank - Principal Fund | 18,391.32  |
| 66005 · US Bank - Reserve Fund   | 152,415.00 |

**Total 6000A · US Bank Bond Funds** 203,286.74

**66003 · Mt America expense fund** 1,900.00

**8110 · Cash**

|  |            |
|--|------------|
| 8111 · Mtn Am - Checking (0851)        | 148,471.34 |
| 8111.A · Mt Am-Ambass Debit (0851-S58) | 7.82       |
| 8113 · Mtn Am - Money Market (07)      | 8,329.89   |
| 8114 · MACU-Lib Lunch Acct-Savg (2335) | 5.00       |
| 8115 · Mtn.Amer. Primary Savings       | 79.41      |
| 8120 · Mtn.Amer Parent Council (3198)  | 6,444.67   |
| 8121 · Petty Cash                      | 822.01     |

**Total 8110 · Cash** 164,160.14

**8122 · Payroll Lunch Account** 10,751.00

**Total Checking/Savings** 380,097.88

**Accounts Receivable**

**8130 · Receivables**

|                |           |
|----------------|-----------|
| 8131 · Local   | 499.66    |
| 8133 · State   | 1,762.00  |
| 8134 · Federal | 13,181.00 |

**Total 8130 · Receivables** 15,442.66

**8133.1 · Sales tax receivable** 851.72

**Total Accounts Receivable** 16,294.38

**Other Current Assets**

|                                      |          |
|--------------------------------------|----------|
| 8150 · Prepaid Expenses              | 2,762.00 |
| 8191 · Sales Tax Paid with Purchases | -186.68  |

**Total Other Current Assets** 2,575.32

**Total Current Assets** 398,967.58

**Fixed Assets**

|                                      |               |
|--------------------------------------|---------------|
| 8250 · Equipment FA                  | 342,570.41    |
| 8251 · Leasehold Improvements        | 266,949.26    |
| 8252 · Building                      | 4,806,250.00  |
| 8260 · Accumulated Depreciation      | -1,215,514.15 |
| 8265 · Land                          | 768,335.25    |
| 8410 · Bond Issuance Costs           | 219,355.00    |
| 8450 · Acc. Amort of Bond Issue Cost | -66,902.86    |

**Total Fixed Assets** 5,121,042.91

**TOTAL ASSETS** 5,520,010.49

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Accounts Payable**

9510 · Accounts Payable 26,015.31

**Total Accounts Payable** 26,015.31

**Other Current Liabilities**

|                              |              |
|------------------------------|--------------|
| 9610 · US Bank Bonds Payable | 3,232,686.79 |
| 9750 · Accrued Interest      | 96,798.71    |

**Total Other Current Liabilities** 3,329,485.50

**Total Current Liabilities** 3,355,500.81

**Liberty Academy**  
**Balance Sheet**  
As of March 31, 2016

|                                       | <u>Mar 31, 16</u>                 |
|---------------------------------------|-----------------------------------|
| Long Term Liabilities                 |                                   |
| 9620 · Notes Payable                  | 1,806,158.58                      |
| Total Long Term Liabilities           | <u>1,806,158.58</u>               |
| Total Liabilities                     | 5,161,659.39                      |
| Equity                                |                                   |
| 9830 · Unrestricted Net Assets        | 857,210.39                        |
| 9850 · Retained Earnings              | -439,754.34                       |
| Net Income                            | -59,104.95                        |
| Total Equity                          | <u>358,351.10</u>                 |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b><u><u>5,520,010.49</u></u></b> |

Liberty Academy  
Book Asset Detail

| Asset Group                    | Description                         | In Service Date                       | Cost              |                  |
|--------------------------------|-------------------------------------|---------------------------------------|-------------------|------------------|
| Group: Building                | 12 building                         | 9/15/06                               | <u>806,250.00</u> |                  |
|                                |                                     |                                       | <u>806,250.00</u> |                  |
| Group: Equipment               | 4 cafeteria tables                  | 10/16/06                              | 0,269.00          |                  |
|                                | 5 plasma televisions                | 11/7/06                               | 999.92            |                  |
|                                | 8 digital duplicator                | 12/16/09                              | 995.00            |                  |
|                                | 14 pro audio sound system           | 6/30/14                               | 1,963.00          |                  |
|                                | 16 bleachers/staging                | 6/30/10                               | 5,828.00          |                  |
|                                | 17 uen bluebird classroom equipment | 7/27/10                               | 5,375.00          |                  |
|                                | 22 1999 bluebird bus                | 7/5/11                                | 4,000.00          |                  |
|                                | 24 sneeze guard                     | 1/3/12                                | 112.76            |                  |
|                                | 25 3 promethean activboards         | 8/24/11                               | 411.28            |                  |
|                                | 26 school bus                       | 12/18/12                              | 950.00            |                  |
|                                | 28 bgym sound panel                 | 9/21/12                               | 7,470.00          |                  |
|                                | 32 epson brightlink projectors      | 9/6/12                                | 592.00            |                  |
|                                | 33 1999 school bus bluebird 2       | 9/16/11                               | 7,509.09          |                  |
|                                | 34 apple computers                  | 8/13/13                               | 3,960.67          |                  |
|                                | 35 student desks                    | 9/2/13                                | 25.00             |                  |
|                                | 36 macbook learning lab             | 9/19/13                               | 7,517.70          |                  |
|                                | 37 bleachers/staging                | 10/3/13                               | 4,639.00          |                  |
|                                | 38 computer network                 | 10/14/13                              | 1,706.19          |                  |
|                                | 39 ricoh copier                     | 10/29/13                              | 4,500.00          |                  |
|                                | 40 alexandra software               | 11/12/13                              | 681.65            |                  |
|                                | 41 projector and screen for gym     | 11/27/13                              | 140.75            |                  |
|                                | 42 1999 thomas school bus           | 1/13/14                               | 661.76            |                  |
|                                | 44 bulletin boards                  | 1/24/14                               | 336.00            |                  |
|                                | 45 apple macbook learning lab 2     | 3/6/14                                | 7,517.70          |                  |
|                                | 46 classroom projectors             | 1/10/15                               | 4,507.50          |                  |
|                                | 47 bus                              | 3/16/15                               | 4,675.00          |                  |
|                                | 48 desk stand more                  | 10/21/15                              | 286.54            |                  |
|                                | 49 30 apple computers               | 1/15/16                               | 5,739.95          |                  |
|                                |                                     |                                       |                   | <u>42,570.46</u> |
|                                | Group: Land                         | 11 land                               | 8/7/08            | 93,750.00        |
|                                |                                     | 13 land north of school               | 4/15/10           | 0,137.82         |
|                                |                                     | 43 road base for land north of school | 11/27/13          | 447.25           |
|                                |                                     |                                       |                   | <u>68,335.07</u> |
|                                | Group: Thresholds                   | 1 4 basketball stands                 | 8/31/06           | 2,341.14         |
|                                |                                     | 2 lockers                             | 8/29/06           | 1,160.00         |
|                                |                                     | 3 basketball stands                   | 10/25/06          | 1,467.44         |
|                                |                                     | 7 landscaping                         | 10/4/07           | 5,136.00         |
|                                |                                     | 10 carpet in walls                    | 8/15/07           | 312.50           |
|                                |                                     | 15 playground resurfacing             | 4/20/10           | 2,525.00         |
|                                |                                     | 18 playground benches                 | 8/26/10           | 510.39           |
|                                |                                     | 19 volleyball court                   | 8/26/10           | 5,377.44         |
|                                |                                     | 20 shed                               | 9/16/10           | 529.01           |
|                                |                                     | 21 drop ceiling in gym                | 2/2/11            | 585.93           |
|                                |                                     | 27 building improvement               | 8/7/12            | 9,771.76         |
|                                |                                     | 29 accordion floor                    | 3/19/13           | 835.65           |
|                                |                                     | 30 drinking fountain                  | 10/3/12           | 597.43           |
|                                |                                     | 31 drinking fountain                  | 4/23/13           | 508.24           |
|                                |                                     | 46 bead boards for walls              | 8/10/13           | 349.40           |
|                                |                                     | 47 building improvements              | 9/26/13           | 1,085.22         |
| parking lot improvement        |                                     | 7/28/15                               | 550.00            |                  |
| classroom remodel              |                                     | 9/11/15                               | 924.24            |                  |
| sidewalk additional and repair |                                     | 10/7/15                               | 205.92            |                  |
| install railing for bridge     |                                     | 10/19/15                              | 996.48            |                  |
| day work fire sprinkler system | 10/21/15                            | 180.00                                |                   |                  |
|                                |                                     |                                       | <u>66,949.19</u>  |                  |
|                                |                                     |                                       | <u>184,104.72</u> |                  |

## MINIMUM SCHOOL PROGRAM MONTHLY ALLOTMENT FOR FISCAL YEAR 2016

7507, 7508, 7509, 7511, 7512 - DISTRICT



| PROJECT NAME                                      | DISTRICT<br>PGM/REV | Budget  | Current | Year to Date |
|---|---------------------|---------|---------|--------------|
| RECIPIENT 6C LIBERTY ACADEMY CHARTER SCHOOL       |                     |         |         |              |
| <b>REVENUE 01 STATE APPROPRIATION 06</b>          |                     |         |         |              |
| Year 2016   |                     |         |         |              |
| CTE SUICIDE PREVENTION HB 329/364                 | 5674/3774           | 500     | 0       | 0            |
| UPASS   | 5699/3799           | 1,111   | 92      | 926          |
| <b>REVENUE 02 STATE LIQUOR CONTROL TAX</b>        |                     |         |         |              |
| Year 2016   |                     |         |         |              |
| 10% LIQUOR TAX                                    | 8070/3770           | 15,692  | 1,136   | 6,649        |
| <b>REVENUE 08 F84.010A TITLE I</b>                |                     |         |         |              |
| Year 2016   |                     |         |         |              |
| FED FORMULA TO LEAS                               | 7801/4801           | 49,943  | 0       | 21,763       |
| FED PROGRAM IMP TO LEAS                           | 7801/4801           | 100,000 | 0       | 0            |
| Year 2015   |                     |         |         |              |
| FED FORMULA TO LEAS                               | 7801/4801           | 8,516   | 0       | 8,516        |
| Year 2014   |                     |         |         |              |
| FED FORMULA TO LEAS                               | 7801/4801           | 172     | 0       | 172          |
| <b>REVENUE 19 F84.027a IDEA PL 101476 84-0272</b> |                     |         |         |              |
| Year 2016   |                     |         |         |              |
| FLOW THROUGH                                      | 7524/4524           | 72,756  | 0       | 21,441       |
| <b>REVENUE 46 FVAR CNP CONSOLIDATED BLOCK</b>     |                     |         |         |              |
| Year 2016   |                     |         |         |              |
| SCHOOL LUNCHES F10.555                            | 8071/4571           | 7,300   | 934     | 4,279        |
| SCHOOL FREE/REDUCED LUNCHES F10.555               | 8072/4572           | 46,000  | 6,161   | 28,192       |
| Year 2015   |                     |         |         |              |
| SCHOOL LUNCHES F10.555                            | 8071/4571           | 1,187   | 0       | 1,187        |
| SCHOOL FREE/REDUCED LUNCHES F10.555               | 8072/4572           | 8,114   | 0       | 8,114        |
| <b>REVENUE 48 FEDERAL SUMMER SPEC FOOD6</b>       |                     |         |         |              |
| Year 2016   |                     |         |         |              |
| FRESH FRUIT AND VEGETABLES F10.582                | 8079/4579           | 48,343  | 0       | 0            |
| <b>REVENUE 52 F84.173a PL 99-457 84-173</b>       |                     |         |         |              |
| Year 2016   |                     |         |         |              |
| FLOW THROUGH                                      | 7522/4522           | 2,565   | 0       | 0            |
| Year 2015   |                     |         |         |              |
| FLOW THROUGH                                      | 7522/4522           | 2,427   | 0       | 0            |
| <b>REVENUE 74 Fed</b>                             |                     |         |         |              |
| Year 2016   |                     |         |         |              |
| FORMULA FLOW THROUGH                              | 7860/4860           | 10,401  | 0       | 7,800        |
| <b>REVENUE 97 STATE APP GENERAL FUND</b>          |                     |         |         |              |
| Year 2014   |                     |         |         |              |
| STUDENT LEADERSHIP ONE_TIME                       | 5816/3816           | 0       | 0       | 0            |



## MINIMUM SCHOOL PROGRAM MONTHLY ALLOTMENT FOR FISCAL YEAR 2016

7507, 7508, 7509, 7511, 7512 - DISTRICT

| PROJECT NAME                                | DISTRICT<br>PGM/REV | Budget           | Current        | Year to Date     |
|---|---------------------|------------------|----------------|------------------|
| RECIPIENT 6C LIBERTY ACADEMY CHARTER SCHOOL |                     |                  |                |                  |
| <b>REVENUE 99 MINIMUM SCHOOL PROGRAM</b>    |                     |                  |                |                  |
| <b>Year 2016</b>                            |                     |                  |                |                  |
| KINDERGARTEN                                | VAR/3010            | 85,030           | 6,814          | 71,401           |
| GRADES 1-12                                 | VAR/3010            | 1,283,984        | 106,998        | 1,069,987        |
| PROFESSIONAL STAFF                          | VAR/3020            | 50,528           | 3,504          | 43,519           |
| SPEC EDUC -REG- ADD-ON WPUS                 | 1205/3105           | 170,145          | 14,178         | 141,788          |
| SPEC EDUC -- EXTENDED YEAR PROGRAM          | 1220/3120           | 2,259            | 189            | 1,883            |
| SPEC ED -- STATE PROGRAMS IMPACT AID        | 1225/3125           | 3,909            | 325            | 3,258            |
| CLASS SIZE REDUCTION K-8                    | 5201/3230           | 127,043          | 10,587         | 105,870          |
| FLEXIBLE ALLOCATION-WPU DISTRIBUTION        | 5310/3410           | 15,608           | 1,300          | 13,008           |
| ENHANCEMENT FOR AT-RISK STUDENTS            | 5336/3336           | 15,854           | 1,321          | 13,212           |
| ENHANCE FOR ACCEL-- GIFTED AND TALENTED     | 5331/3211           | 2,072            | 172            | 1,727            |
| SCHOOL LAND TRUST PROGRAM                   | 5420/3520           | 33,022           | 0              | 33,022           |
| CHARTER SCHOOL LOCAL REPLACEMENT            | 5619/3719           | 869,508          | 72,459         | 724,590          |
| CHARTER SCHOOL ADMINISTRATIVE COSTS         | 5625/3725           | 49,800           | 4,150          | 41,500           |
| K-3 READING IMPROVEMENT PROGRAM             | 5805/3805           | 16,767           | 1,398          | 13,973           |
| EDUCATOR SALARY ADJUSTMENTS                 | 5876/3876           | 127,142          | 10,595         | 105,952          |
| LIBRARY BOOKS & ELECTRONIC RESOURCES        | 5810/3810           | 1,281            | 106            | 1,068            |
| MATCHING FUND FOR SCHOOL NURSES             | 5368/3468           | 2,629            | 219            | 2,191            |
| TEACHER SUPPLIES AND MATERIALS              | 5868/3868           | 4,643            | 0              | 4,643            |
| <b>Year 2014</b>                            |                     |                  |                |                  |
| SPEC EDUC --STIPENDS EXTENDED YEAR          | 1278/3120           | 796              | 0              | 796              |
| <b>RECIPIENT TOTAL:</b>                     |                     | <b>3,237,047</b> | <b>242,638</b> | <b>2,502,427</b> |

## **Liberty Academy Assets - Schedule of Ownership Change**

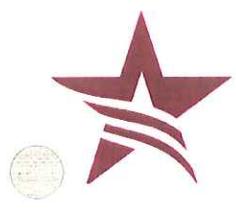
### **Proposed schedule of ownership change between Liberty Academy and Utah Charter Academies**

As of July 1, 2016, all assets of Liberty Academy, with the exception of real assets, and all liabilities, with the exception of the facility-related bond and facility-related USDA loan, will inure to UCA.

The facility-related bond and facility-related USDA loan will remain with Liberty Academy.

The Liberty Academy non-profit governing board will remain intact solely for the purpose of holding the bond and loan related to the land and building where APA-Salem is currently operating.

The sole purpose of the Liberty Academy non-profit entity will be to hold this bond and loan. Liberty Academy will hold no other loans or bonds or assets. At the end of the bond or loan terms, Liberty Academy will sell the land and building to Utah Charter Academies for \$1.

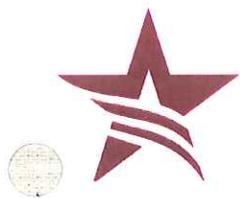


# AMERICAN PREPARATORY ACADEMY

## PROPOSAL PURSUANT TO U.C.A. 53A-1a-509.5 et seq (VOLUNTARY SCHOOL IMPROVEMENT PROCESS)

In accordance with the Voluntary School Improvement Process Agreement executed by American Preparatory Academy-Salem (APA-Salem), formerly Liberty Academy, and the State Charter School Board (SCSB), the governing board of APA-Salem hereby proposes to transfer control of APA-Salem to Utah Charter Academies (UCA), a high performing charter school. The proposed transfer includes the following verifications, terms and conditions:

1. The APA-Salem Governing Board verifies that it received only one application in response to the Notice of Entry into the School Improvement Process disseminated by the State Superintendent's Office. In fact, UCA was the only charter school that expressed interest pursuant to said Notice. Nevertheless, the Board carefully reviewed UCA's proposal and determined that UCA would be an excellent entity to take over operation and control of APA-Salem.
2. UCA currently successfully operates four charter school campuses in the Salt Lake Valley. UCA started with its first school in Draper in 2003. In 2009 it added a k-9 school in West Valley and in 2011 it expanded by a second school in West Valley, grades k-12. In 2013, UCA began operations at a second location in Draper, grades k-9, and in 2014 UCA was approved to add a Draper high school. All UCA schools are deemed to be high performing charter schools. The APA-Salem Board is familiar with the UCA operated schools and has confidence that UCA can successfully assume control and operate the Salem campus.
3. The UCA application is submitted herewith for review by the SCSB (Exhibit 1).
4. The main factors considered by the APA-Salem Board in approving the UCA proposal were: seamless transfer of school operations, retention of students and staff, financial stability and continuation of scholastic programs the Board deems important.
  - UCA and APA-Salem both contract with the EMO, American Preparatory Schools (APS). Consequently, all financial operations, personnel and student information can be transferred with ease and without disruption.
  - UCA uses the same teaching methods and curriculum as APA-Salem. This will ensure the continuation of the APA-Salem program, which has attracted the current students and staff. Both students and staff are familiar and comfortable with the program and, thus, are more likely to remain at the Salem campus.
  - UCA has consistently maintained financial viability with its other schools and has a proven record of fiscal responsibility. The APA-Salem Board has adopted and used the same curriculum as UCA and wants its current students to continue in that same scholastic program which the Board deems effective



# AMERICAN PREPARATORY ACADEMY

and important. This will make the transition to UCA imperceptible to the current students.

5. An accounting of all financial assets including; cash and accounts receivable, inventory of property, equipment, and other items of material value is attached in Exhibit 2, which includes APA-Salem's Balance Sheet and Asset List.
6. An accounting of all liabilities including; accounts payable or reduction in appointments due to loans, as well as unpaid staff compensation, is included in Exhibit 2 on the Balance Sheet.
7. APA-Salem receives some restricted funds from the State and Federal Governments. All restricted funds will be spent by June 30<sup>th</sup>, 2016, except for a School Improvement Grant. The School Improvement Grant will be fully expended at APA-Salem by June 30<sup>th</sup>, 2017. All future restricted funds will continue to be allocated according to their descriptions and restrictions. To see a list of restricted funds that will be spent at APA-Salem by June 30<sup>th</sup>, 2016, please see Exhibit 3.
8. All assets, with the exception of real assets, and liabilities, with the exception of the facility-related bond and facility-related USDA loan, will inure to UCA:
  - a. The land and building will continue to be owned by USDA and US Bank, with the note held by Liberty Academy.
  - b. UCA shall, in good faith and with all due diligence, seek to assume the facility-related bond and facility-related loan debt held by USDA and US Bank respectively.
  - c. Pending assumption of said debt, UCA shall hold Liberty Academy, now APA-Salem, harmless from any claims, payments due or other liabilities that may be incurred in the continued operation of the school. Further, UCA will indemnify the Governing Board of APA-Salem, formerly, Liberty Academy, from any and all claims, costs or liabilities that may arise during and as a result of the transfer of operations from APA-Salem to UCA.
  - d. On July 1, 2016, Liberty Academy will lease the school facility to UCA. UCA will pay rent for the property in an amount sufficient to cover the bond and loan payments owed by Liberty Academy. UCA will continue to operate the school in the current building. The lease will be substantially in the form shown in Exhibit 5 attached herewith.
9. A term sheet that proposes the schedule of ownership change is attached as Exhibit 4.
10. APA-Salem is currently operated by the same Educational Management Organization as the UCA schools, so there will be virtually no impact on the school's operations. Parents and staff at APA-Salem will be notified of the school's new governing body, and written information regarding the details of the board, their names and contact



# AMERICAN PREPARATORY ACADEMY

information, will be disseminated to parents. APA-Salem students will be transferred to UCA. This transfer will result in a direct increase in enrollment in UCA student counts and payment from USOE to APA-Salem will cease, with a corresponding increase in payments to UCA. When the APA-Salem charter is dissolved, all employees will be released from employment. UCA intends to hire 100% of the current employees at their current contract rates. The former APA-Salem employees will become UCA employees with UCA health and retirement benefits. UCA's employees are not members of the URS. Upon approval of this proposal, all employees will receive notification of the impending changes to their employment, and their benefits, including health and retirement benefits. All APA-Salem employees have already been notified of the potential for these changes.

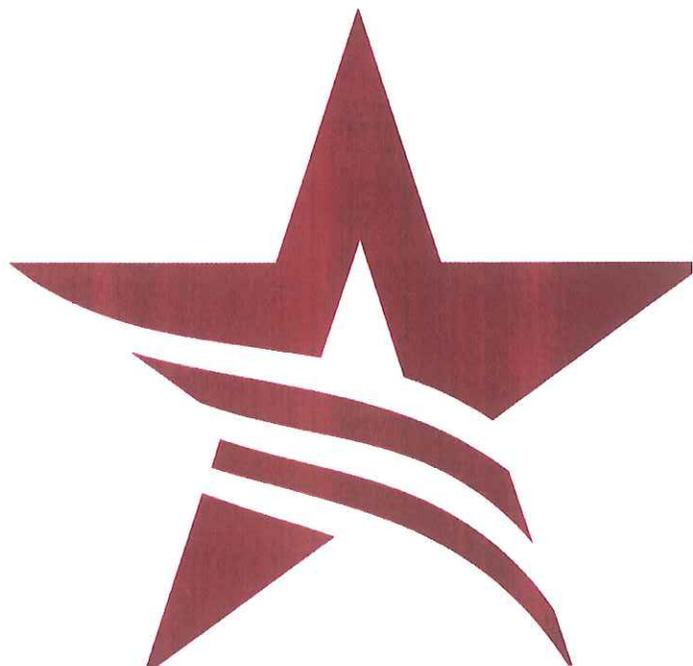
11. APA-Salem's contract with the Educational Management Organization includes maintenance of personnel records. These records will continue to be maintained by the EMO.
12. APA-Salem's student records, state assessment results, and any special education records will remain secured on-site at APA-Salem. Records will continue to be maintained by the administration on-site at APA-Salem.

Accordingly, APA-Salem, formerly Liberty Academy, respectfully requests that the SCSB approve this Proposal as submitted by UCA, and pursuant to Utah Code Section 53A-1a-509.9 (7), terminate Liberty Academy's charter and transfer operation and control of the school to UCA, a high performing charter school.

Respectfully submitted this 27<sup>th</sup> day of April 2016.



Dee Henderson, Chair  
APA-Salem Governing Board



**DRAFT LEASE AGREEMENT**

THIS LEASE AGREEMENT made and entered into this 1st day of July, 2016, by and between Liberty Academy (A Utah Non-Profit Company,) hereinafter referred to as the "Landlord", and Utah Charter Academies, hereinafter referred to as the "Tenant":

W I T N E S S E T H

ARTICLE 1. PREMISES AND TERM. Landlord hereby leases and by these presents does lease and demise to the Tenant, and the Tenant does lease and take from the Landlord, the premises described on Exhibit "B" attached hereto, consisting of approximately 20,000 square feet of Leasable space, the "Demised Premises", situated in the building erected, on the property located 1195 Elk Ridge. Dr., Salem, Utah hereto, together with all the easements, rights, privileges and appurtenances thereunto belonging or in any way appertaining to the Demised Premises.

TO HAVE AND TO HOLD the said Demised Premises, together with all and singular improvements, appurtenances, rights, privileges and easements thereunto belonging to or in anywise appertaining, unto Tenant for a term commencing as of the date set forth herein under Article 3, and continuing thereafter to and including the date (10) Ten years from the first day of the first month immediately following such commencement date, subject, however, to extension and renewal if hereafter provided. The commencement date of this

lease term shall begin on July 1, 2016.

ARTICLE 2. CONSTRUCTION OF IMPROVEMENTS. Landlord has, at Landlord's sole cost and expense, constituted a building and other improvements, containing the Demised Premises.

ARTICLE 3. TENANT'S POSSESSION. The term of this Lease shall commence when the Landlord delivers to Tenant, in a condition ready for occupancy, possession of the Demised Premises on or about July 1, 2016. Tenant shall accept possession of the said improvements when they are ready for occupancy.

ARTICLE 4. OBLIGATIONS OF TENANT AND LANDLORD.

4.1 Real Property Taxes. Tenant shall pay, when due, any real property taxes assessed on the Demised Premises, if any, from the date of occupancy.

4.2 Personal Property Taxes. Tenant shall additionally pay, when due, all personal property taxes and license fees levied and assessed against the Demised Premises during the term of this Lease.

4.3 Tenant's Insurance. The Tenant shall, during the entire term of this Lease, at the Tenant's sole cost and expense, but for the mutual benefit of the Landlord and Tenant, maintain general public liability insurance against claims for personal injury, death or property damage occurring upon, in or about the entire property described on Exhibit "B" attached hereto and on, in or about the adjoining streets and passageways, such insurance to afford protection to the limit of not less than \$2,000,000 in respect to injury or death to a

single person, and to the limit of not less than \$2,000,000 in respect to any one accident, and to the limit of not less than \$500,000 in respect to property damage or a combined single limit policy not less than \$2,000,000 per occurrence. All policies shall name Landlord and the mortgage of the property as an additional insured, as their interest may appear.

Tenant shall also provide insurance coverage to the extent of the full replacement value covering all of Tenant's property, fixtures, equipment, tools, improvements, stock, goods, wares or merchandise, that it may have in or on or about the Demised Premises.

Other forms of insurance may be reasonably required to cover future risks against which a prudent Tenant would protect itself.

All policies of insurance provided for herein shall be issued by insurance companies with a general policy holder's rating of not less than A and a financial rating of AAA, as rated in the most current available "Best's Guide" Insurance Reports, and qualified to do business in the state of Utah.

The policies for the foregoing insurance shall provide that the proceeds thereof shall be payable to the Tenant and to the Landlord, as their respective interests may appear. Said required Tenant insurance coverage shall be verified to the Landlord by an insurance carrier in the form of either a certified copy of the policy or other written verification of insurance coverage acceptable to Landlord and the lending institution for the Demised Premises. Such insurance policies shall provide that Landlord be given thirty (30) days

written notice prior to any cancellation or alteration of any policy.

To the extent that Tenant fails to provide the foregoing insurance, either hazard or liability, Tenant shall be responsible to Landlord, as his interest appears, for such damage that would have been insured by said policies but for Tenant's failure to obtain such insurance.

4.4 Property Insurance. Tenant shall provide fire, lightning, and extended coverage ("all risk") insurance and such additional insurance coverage as may be required by Landlord's mortgagee on the building, of which the Demised Premises is a part, for the full replacement value thereof or such value as is required by Landlord's mortgagee, whichever is greater, against such loss.

4.5 Subrogation. Landlord shall not be liable to Tenant or anyone claiming by, through or under Tenant, including an insurance carrier or carriers, for any insurable loss or damage, and no such carriers shall have the right to subrogate against Landlord. All of the insurance policies required hereunder pertaining to the Demised Premises shall contain an endorsement by the respective insurance carriers waiving any and all rights of subrogation against Landlord, a copy of which endorsement or endorsements, or evidence thereof by way of certificate shall be furnished to the Landlord.

4.6 Assumption of Risk. Anything herein to the contrary notwithstanding, after the commencement of the term as provided in Article 3, the Tenant assumes full risk of damage to its property, fixtures, equipment, tools, improvements, stock, goods, wares or

merchandise, that it may have in or on or about the Demised Premises, resulting from fire, lightning, extended coverage perils, flood and any catastrophe, regardless of cause or origin. The Landlord shall not be liable to Tenant or anyone claiming by, through or under Tenant, including Tenant's insurance carrier or carriers, for any loss or damage resulting from fire, lightning or extended coverage perils or from an act of God. Landlord shall not be liable to the insurance carrier for damages insured against, either directly or by way of subrogation.

**4.7 Indemnity Indemnification by Tenant:** Tenant shall defend and indemnify Landlord and hold Landlord harmless from and against any and all suits, actions, damage and claims, liability and expense in connection with loss of life, bodily or personal injury, or property damage arising from or out of any occurrence in, upon, at or from the Leased Premises, or occasioned wholly or in part by any act or omission, whether negligent, intentional, or otherwise, of Tenant or its agents, contractors, employees, servants, invitees, licensees or concessionaries. All insurance policies carried by Tenant shall include a waiver of subrogation endorsement which specifies that the insurance carrier(s) will waive any right of subrogation against Landlord arising out of any insurance claim.

**ARTICLE 5. TENANT'S USE.** The Tenant may use the Demised Premises for conducting its business. Tenant shall use the Demised Premises only for lawful and proper purposes, which are permissible under applicable law (including under applicable zoning laws).  
Tenant shall not make any use of the Demised Premises which will cause cancellation of any

insurance policy covering the same and shall not keep or use on the Demised Premises any article, item, or thing which is prohibited by the terms of the hazard insurance policy covering the improvements. Tenant shall not commit any waste upon the Demised Premises and shall not conduct or allow any business, activity or thing on the Demised Premises which is or becomes unlawful, prohibited, or a nuisance or which may cause damage to Landlord, to occupants or other tenants in the vicinity, or to other third parties. Tenant shall comply with and abide by all laws, ordinances, and regulations of all municipal, county, state and federal authorities which are now in force or which may hereafter become effective with respect to use and occupancy of the Demised Premises. Tenant shall make no alteration or addition to the premises without the prior written consent of Landlord.

Tenant represents to Landlord that neither Tenant nor any affiliates of Tenant will generate, store or dispose of any Hazardous Substances (as defined below) at or in the area of the Demised Premises and Property.

Tenant covenants with Landlord: a) to prohibit any generation, storage or disposal of Hazardous Substances at the Premises, b) to deliver promptly to Landlord true and complete copies of all notices received by Tenant from any governmental authority with respect to the generation, storage or disposal by Tenant of Hazardous Substances (whether or not at the Premises); and c) to permit entry onto the Premises by Landlord or Landlord's representative(s) at any reasonable time to verify Tenant's compliance with the foregoing.

Tenant agrees to indemnify and defend Landlord (with legal counsel reasonably

acceptable to Landlord) from and against any costs, fees or expenses (including, without limitation, cleanup expenses, third party claims and environmental impairment expenses and reasonable attorneys' fees and expenses) incurred by Landlord in connection with Tenant's generation, storage, or disposal of Hazardous Substances at or near the Demised Premises in accordance with the foregoing and with Tenant's compliance with the foregoing representations and covenants. This indemnification by Tenant shall survive termination or expiration of this Lease.

"Hazardous Substances" shall mean i) hazardous substances as defined in the Comprehensive Environmental Response, Compensation and Liability Act, as amended, ii) "PCBs", as defined in 40C.F.R. 761 et seq. and "TCDD" as defined in 40 C.F.R. 755 et seq. (or in either case analogous regulations promulgated under the Toxic Substances Control Act, as amended), iii) "asbestos" as defined in 29 C.F.R. 1910.1001 et seq. (or analogous regulations promulgated under the Occupational Safety and Health Act of 1970, as amended), and (iv) waste oils and other petroleum hydrocarbon compounds.

In the event Tenant's business, or use of the demised premises, should require the legal storing of barrels, drums and other storage containers, Tenant covenants with Landlord to provide Landlord no less often than every three (3) months with a complete and accurate list of all storage containers, chemical inventories and quantities. Such inventory list shall be updated by Tenant to Landlord every quarter and certified as a true and correct inventory.

Additionally, Tenant shall supply Landlord with a container and contents disposal

plan acceptable to Landlord or in the alternative, a bond payable to Landlord to fund the disposal and discardment of all chemicals and/or storage containers located on or about the demised premises. Said bond shall be used by Landlord in the event Tenant fails to properly dispose of such containers and chemicals.

Tenant covenants with Landlord to store all chemical containers in a safe and secure manner either inside the Demised Premises or within a secured fenced area, so as not to cause a nuisance to Landlord and other tenants in the proximity of the Demised Premises, and to prevent the unlawful infiltration of chemicals and container discardment by others.

ARTICLE 6. POSSESSION. Possession of the Demised Premises shall be delivered to the Tenant as herein provided, free and clear of all Tenants and occupants and the rights of either. The Demised Premises shall also be free of liens, encumbrances and violations of laws, ordinances and regulations adversely affecting the use and occupancy of the Demised Premises, except those presently of record including mortgages and trust deeds and those that may be specified herein. Tenant agrees to deliver to the Landlord physical possession of the Demised Premises including all keys to the Demised Premises, upon the termination or expiration of this Lease, or any extension thereof, in as good order, condition and state of repair as when received by Tenant, reasonable wear and tear thereof and damage by fire, acts of God or the elements excepted.

ARTICLE 7. RENT

7.1 Minimum Rent. The Tenant agrees to pay the Landlord, at such address as shall

from time to time be designated by Landlord, as minimum rental during the initial term of this Lease without right of offset or deduction, the sum of:

Year 1 - \$86,103.00/year i.e. \$7,175.25/month Net/Net/Net

Year 2 - \$88,686.00/year i.e. \$7,390.50/month Net/Net/Net

Year 3 - \$91,347.00/year i.e. \$7,612.25/month Net/Net/Net

Year 4,5- \$94,087/year i.e. \$7,840.58/month Net/Net/Net

Minimum rental shall be payable monthly, in advance, without demand on the first day of each calendar month throughout the Lease term. Should Tenant's occupancy of the Demised Premises commence on any day other than on the first (1st) day of the calendar month, the first rental shall be prorated accordingly.

**7.2 Option to Extend Lease.** Landlord hereby grants Tenant the right and option to renew this lease agreement for (5) Five year renewal term at the market or negotiated rates.

Should Tenant desire to exercise the Renewal to Lease, Tenant must notify Landlord in writing stating Tenant's intent to renew this Lease at least 90 days prior to the expiration of the primary Lease term. Tenant must be current under all these covenants and conditions, for the Lease Renewal Rights to be valid.

**7.3 Late Penalty.** Tenant shall be charged a five percent (5%) late fee on all rental payments (minimum and/or additional) which are received by Landlord more than ten (10) days after their due date. Such late fee shall compensate Landlord for i) the costs attributable to providing notice of delinquency; and ii) the expense of servicing the

mortgage loan on Landlord's Building from alternative funds. In addition, any rental payments which are not paid within twenty (20) days of their due date shall bear interest thereafter at the highest rate permitted by law.

ARTICLE 8. SIGNS. With the prior written approval of Landlord, which approval shall not be unreasonably withheld, Tenant shall have the right and privilege to place on the building or Demised Premises signage necessary for the operation of Tenant's business. Such sign installation shall not adversely affect or damage the physical structure of the building, nor detract from the overall harmony of the building. All such signs must conform with the codes and regulations of Salem City and adhere to the signage criteria for the development.

Upon the expiration or termination of the lease, the Tenant shall remove all signage installed by Tenant and repair any damaged areas on the building or Demised Premises caused thereby, to a condition acceptable to the Landlord.

ARTICLE 9. ALTERATIONS AND IMPROVEMENTS. Tenant shall have the right, subject to Landlord's prior written approval, to make non-structural alterations, additions, or improvements (hereinafter collectively referred to as "improvements") to the interior of the Demised Premises. Said improvements and additions shall be accomplished at Tenant's sole cost and expense and shall be made in compliance with all building codes and ordinances, laws, and regulations applicable to the Demised Premises. Tenant shall cause all improvements to be accomplished in a good workmanlike manner using the same quality

and finish to match existing. Landlord shall have the right, but not the obligation to require Tenant's removal of said improvements at the expiration or termination of the Lease, including restoration of the Demised Premises, to its original state of improvement, configuration, etc.

Tenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligation incurred by or for Tenant or any person or entity claiming through or under Tenant. In the event that Tenant shall not, within thirty (30) days following the imposition of any such lien, cause the same to be released by payment or posting of a bond, Landlord shall have the right, but not the obligation, to cause such lien to be released by such means as Landlord deems proper, including payment of the claim giving rise to such lien. All such sums paid and all expenses incurred by Landlord in connection therewith shall be due and payable to Landlord by Tenant as additional rent within fifteen (15) days of Tenant's receipt of Landlord's invoice.

ARTICLE 10. FIXTURES AND PERSONAL PROPERTY. All fixtures (not including trade fixtures) installed or attached to the Demised Premises by and/or at the expense of Tenant shall become the property of Landlord. Any trade fixtures installed in the Demised Premises by and at the expense of the Tenant shall remain the property of the Tenant or Tenant's trade fixture Lessors, and the Landlord agrees that so long as Tenant is not in default hereunder, Tenant or its Lessors shall have the right at any time to remove any and all of its trade fixtures which it may have stored or installed in the Demised Premises. Landlord

expressly agrees to waive or subordinate any claim, which Landlord may or might have against the trade fixtures and personal property of Tenant in favor of a Lessor who intends to Lease any of the same to Tenant. Tenant shall be required, at the expiration or termination of this Lease Agreement or any extension or renewal thereof, to remove any and all of its trade fixtures which it may have stored or installed in the Demised Premises. Tenant will repair all damage to the Demised Premises occasioned by such trade fixture removal. If Tenant shall holdover beyond lease expiration or lease termination, with Landlord's approval of such holdover, for removal of fixtures and equipment (not to exceed ten (10) days), Tenant shall pay to the Landlord as rental therefore, a sum equal to the prorata portion of the previous monthly rental thereof. In the event Tenant has not completed the removal of its fixtures and equipment and restoration of the Premises caused thereby, within the ten (10) day period following the expiration or termination of the lease, Landlord shall, in Tenant's behalf and at Tenant's sole and exclusive expense, cause such fixtures and equipment to be removed and the Premises to be restored. Upon completion, the cost of said removal and restoration, plus twenty percent (20%) for overhead and profit, including prorated rental for the period of time required to accomplish such, shall be passed on to Tenant for Tenant's payment to Landlord.

ARTICLE 11. UTILITIES. The Tenant shall pay for all water, heat, gas, electricity, and other costs of utilities connected with, consumed, or used by it in connection with its occupancy of the Demised Premises.

ARTICLE 12. MAINTENANCE AND REPAIRS. It is understood and agreed that the Tenant shall, at its sole cost and expense, keep and maintain, during the term of the Lease Agreement or any extension or renewal thereof, the foundations, and structural support portion of the improvements, including the structural portions of the roof, in proper condition and in a good state of repair. Landlord shall not be responsible for any maintenance or repair caused by the fault or neglect of the Tenant, or due to hazards and risks covered or required to be covered by insurance hereunder except, as insurance proceeds are available therefore. All maintenance and repair of said structure, including, but not limited to, painting of walls, and maintenance, repair and replacement of equipment, shall be the responsibility of the Tenant. Any repairs or maintenance required to the roof membrane, or any repainting of the exterior walls, shall be accomplished by the Tenant.

It is understood and agreed that should either party to this Agreement fail or refuse to start and to proceed thereafter with due diligence to make any repairs or maintenance as may be reasonably necessary for the purpose of fulfilling the terms and conditions of the agreements herein set forth within a reasonable length of time (not to exceed seven (7) days) after being notified in writing of the need thereof, that the other party hereto may make such repairs at the cost and expense of the party so failing or refusing. In the event of an emergency situation, Tenant may, in its discretion, make emergency repairs without giving written notification to Landlord, and Landlord shall reimburse Tenant in the event that such repairs were the responsibility of the Landlord hereunder and were not due to the fault

of Tenant or Tenant's agents. The rights of Tenant hereunder specifically do not include the right to offset or deduct any amounts claimed hereunder from rentals due.

Landlord reserves the right to enter upon the Demised Premises (in a manner that will not unnecessarily interfere with the business of Tenant) during business hours at any time to inspect the same and to make necessary repairs to fulfill Landlord's obligation hereunder.

ARTICLE 13. RESTORATION OF DAMAGE. It shall be the responsibility of the Tenant to repair and restore any damage to the structures on the Demised Premises.

ARTICLE 14. EMINENT DOMAIN. If, during the term hereof, or any renewal term, the entire Demised Premises shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, this Lease and all right, title and interest of Tenant hereunder shall cease and come to an end on the date of vesting of title pursuant to such proceeding, or upon the date Tenant is dispossessed under an order of immediate occupancy, whichever first occurs. If less than all of the Demised Premises shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, this Lease shall not terminate, but the rent payable hereunder during the unexpired portion of this Lease shall be reduced to such extent as may be fair and reasonable under all of the circumstances. In any taking of the Demised Premises or any part thereof, whether or not this Lease is terminated as provided in this Paragraph, the parties hereto may claim and shall be entitled to receive an award or compensation therefore in accordance with their respective legal rights and

interests.

ARTICLE 15. DEFAULT IN PAYMENT OF RENT OR ABANDONMENT. In the event of default by Tenant in the performance of its obligation to pay rent hereunder, or in the event Tenant shall vacate or abandon the Demised Premises, or in the event Tenant, or any guarantor hereunder, shall be adjudicated as bankrupt for the benefit of creditors, or enter into an arrangement or participate voluntarily or involuntarily in any bankruptcy or related proceeding under Federal or State Law, Landlord shall have the right to terminate this Lease and to re-enter the Demised Premises or any part thereof with or without process of law; or Landlord, at his option, without terminating this Lease, shall have the right to re-enter the Demised Premises and sublet the whole or any part thereof, for the account of the Tenant, upon as favorable terms and conditions as the market will allow. In the latter event, the Landlord shall have the right to collect any rent which may thereafter become payable under such sublease and to apply the same first to the payment of any expenses incurred by the Landlord in the dispossessing the Tenant and in subletting the Demised Premises, and Landlord may charge interest at the rate equal to one percentage point higher than the prime bank rate of Zions Bank of Utah in Salt Lake City, which rate shall vary from time to time as the prime bank rate varies, per annum on such expenses; and, second, to the payment of the rental herein reserved and the fulfillment of Tenant's covenants hereunder, and the Tenant shall be liable for amounts equal to the installments of rent as they become due, less any amounts actually received by the Landlord and applied on account of rental

as aforesaid. The Landlord shall not be deemed to have terminated this Lease by reason of taking possession of the Demised Premises unless written notice of such termination has been served on the Tenant.

ARTICLE 16. OTHER DEFAULTS BY TENANT. It is mutually agreed that if the Tenant shall default in performing any of the terms or provisions of this Lease Agreement other than as provided in the preceding Article, and if the Landlord shall give to the Tenant notice in writing of such default, and if the Tenant shall fail to cure such default within Thirty (30) days after the date of receipt of such notice, or if the default is of such a character as to require more than Thirty (30) days to cure, and if Tenant shall fail to use reasonable diligence in curing such default, then in such applicable event the Landlord may cure such default for the account of and at the cost and expense of Tenant, plus interest at the rate equal to one percentage point higher than the prime bank rate of Zions Bank of Utah, in Salt Lake City, which rate shall vary from time to time as the prime bank rate varies, per annum, and the sum so expended by the Landlord and interest shall be deemed to be additional rent and on demand shall be paid by the Tenant on the day when rent shall next become due and payable. Failure to pay any additional rent as provided in this Article shall be deemed a failure to pay rent within the meaning of Article 15.

OTHER DEFAULTS BY LANDLORD. It is mutually agreed that if the Landlord shall default in performing any of the terms or provisions of this Lease Agreement other than as provided in the preceding Article, and if the Tenant shall give to the Landlord notice in

writing of such default, and if the Landlord shall fail to cure such default within Thirty (30) days after the date of receipt of such notice, or if the default is of such a character as to require more than Thirty (30) days to cure, and if Landlord shall fail to use reasonable diligence in curing such default, then in such applicable event the Tenant may cure such default for the account of and at the cost and expense of Tenant, plus interest at the rate equal to one percentage point higher than the prime bank rate of Zions Bank of Utah, in Salt Lake City, which rate shall vary from time to time as the prime bank rate varies, per annum, and the sum so expended by the Tenant and interest shall be deemed to be additional rent and on demand shall be paid by the Landlord on the day when rent shall next become due and payable by Tenant to Landlord. Failure to pay said amount by Landlord to Tenant shall give Tenant the right to deduct the cost and expense from the payment of rent until the cost or expense has been satisfied and paid in full for the benefit of Tenant.

ARTICLE 17. QUIET ENJOYMENT. Landlord represents and warrants that it has full right and authority to enter into this Lease. Tenant, upon paying all rentals and performing all the Tenant's covenants, terms and conditions in this Lease Agreement, shall and may peaceably and quietly hold and enjoy the Demised Premises for the term of this Lease Agreement.

ARTICLE 18. WAIVER. No delay or omission by either party hereto to exercise any



801-465-4434 phone  
801-465-7808 fax

TO THE TENANT AT: Utah Charter Academies  
12894 South Pony Express Road #600  
Draper, UT 84020

Such addresses may be changed from time to time by either party by serving notices as above provided.

ARTICLE 21. SUBORDINATION. This Lease shall be subject and subordinate to all mortgages or trust deeds which may now or hereafter affect the real property comprising the Demised Premises, and also to all renewals, modifications, consolidations and replacements of said mortgages and Trust Deeds. Although no instrument or act on the part of Tenant shall be necessary to effectuate such subordination, Tenant will, nevertheless, execute and deliver in a prompt and diligent manner such further instruments confirming such subordination of this Lease as may be desired by the holders of said mortgages or Trust Deeds.

ARTICLE 22. ASSIGNMENT AND SUBLEASING. With the specific prior written consent of Landlord first obtained, Tenant can, at any time, assign this Lease or sublet all or any portion of the Demised Premises. Landlord's consent shall not be unreasonably withheld. Any purported assignment or sublease without Landlord's prior written approval shall be null and void and of no force and effect whatsoever.

ARTICLE 23. SCOPE OF THE AGREEMENT. This Lease Agreement shall be considered to be the only agreement between the parties hereto. All negotiations and oral

agreements acceptable to both parties are included therein.

ARTICLE 24. OBLIGATIONS OF SUCCESSORS. Landlord and Tenant agree that all of the provisions hereof are to be construed as covenants and agreements as though the words importing such covenants and agreements were used in each separate paragraph hereof, and that all of the provisions hereof shall bind and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and assigns.

ARTICLE 25. HOLD OVER. If, at the expiration or termination of this Lease or any extension thereof, Tenant shall hold over for any reason, if Landlord consents to the holding over, the tenancy of Tenant thereafter shall be from month to month only and shall, in the absence of a written agreement to the contrary, be subject to all the other terms and conditions of this Lease with the monthly rental adjusted to One Hundred Twenty Percent (120%) of the monthly rental for the last month of the primary Lease term or subsequent Lease renewal term.

ARTICLE 26. PARKING. The plans and specifications for the Demised Premises, as approved by the parties, depict adjacent parking for the exclusive use of Tenant. Such parking and maintenance thereof shall be under the control of Tenant.

ARTICLE 27. FORCE MAJEURE. In the event that either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like

nature not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. The provisions of this Section shall not operate to excuse Tenant from prompt payment of rent or any other payments required by the terms of this Lease.

ARTICLE 28. The submission of this Lease for examination does not constitute a reservation of or option for the Lease Premises and this Lease becomes effective as a Lease only upon execution and delivery thereof by Landlord to Tenant.

IN WITNESS WHEREOF, the Landlord and Tenant have duly executed and affixed their respective seals to this Lease Agreement on the day and year first above written.

LANDLORD:

Liberty Academy

By \_\_\_\_\_

Dee Henderson, Board Chair

TENANT:

Utah Charter Academies

By \_\_\_\_\_

Brad Findlay, Board Chair