

# **Exhibit 17**

**KINSTON CHARTER ACADEMY**  
**2000 Dr. Martin Luther King, Jr. Blvd.**  
**Kinston, NC 28501**  
**Telephone: (252) 522-0210**  
**Fax: (252) 522-2584**

September 4, 2013

VIA EMAIL

Ms. Rebecca Taylor, Chair  
Leadership for Innovation Committee  
N.C. State Board of Education  
301 N. Wilmington Street  
Raleigh, NC 27601-2825

**RE: PROPOSED CHARTER REVOCATION FOR KINSTON CHARTER ACADEMY**

Dear Ms. Taylor:

Certain staff at the Business and Financial section of the NCDPI have proposed the revocation of the school's charter. Kinston Charter Academy (KCA) has been in operation for since 2004. The current administration came in 2007 when the school had a (-\$354,000.00) operating deficit. Over several years the school reduced the annual operating deficit from (-\$354,000.00) in 2007 to a \$49,000.00 positive fund balance in 2012. The school owns its facilities which appraised for approximately \$4 million. The school owes approximately \$2 million in notes on the facility and therefore has equity of about \$2 million.

Last year (2012-2013) the school took certain measures to boost student performance and made necessary repairs to facilities. In the past the school has always been able to make early draws from its State allotment. Last year that policy/practice changed without adequate notice. In mid-October 2012 we learned for the very first time that Alexis Schauss, the new Director of the Division had issued a policy memorandum dated September 5, 2013 with a retroactive effect to July 1, 2012 which changed the allotment schedule. This new policy did not have Legislative or State Board approval. This policy placed the school in a cash crisis.

In November 2012, when we began to have problems paying the retirement and health insurance premiums Kinston Charter Academy had about \$600,000.00 in State funds that the new policy prevented the school from being able to draw State funds to pay these obligation. In addition, when the school sought to borrow funds from the equity in its facilities to address the temporary cash flow problems the Financial and Business section issued an erroneous non-compliance finding stating the school has \$285,000.00 in questioned cost and suggested it was illegal to use State funds to pay mortgage payments on the schools facilities which are used to educate children. It took the Financial and Business section until April 2013 to repudiate this erroneous non-compliance finding. What is most troubling is that the erroneous non-compliance finding was provided to several potential lenders which prevented the school from being able to borrow funds from the equity in the schools facilities at that time.

Thus, in March 2013, when the Financial and Business section presented to the State Board the delinquency in payments to the State Health Plan and the Retirement system the school cash flow problems existed in part because of the actions of the Financial and Business section of NCDPI that impaired our cash flow. [Note: It should also be noted that we have had continuing issues with Mr. Gene

Bruton of the Business and Financial section after we did not yield to a forced illegal attempt by him to cause us to choose a particular financial services vendor. We have also made a public records request to the Mr. Phillip Price which has been ignored.]

The school's deferred payments to the Health Plan and Retirement systems were all done with the consent of the school's employees who we have kept informed at all times. The employees collectively participated in a joint decision to preserve the school and their jobs. It is ludicrous for DPI staff to suggest that revoking the school's charter and causing the employees to lose their jobs will somehow help these employees.

In July 2013 the Retirement system payments were brought current and on Thursday, August 29, 2013 we made full payment to the health plan.

As to the other matter, we had scheduling issues last year because several units within NCDPI did not use the updated listserv for email addresses and sent notices to incorrect email address and the school did not receive several notices of proposed monitoring visit dates. We are gathering records and information for the federal monitoring at this time and anticipate full resolution of these matters within the next 15 business days.

Please also note that the Kinston Charter Academy Board of Directors has developed a reform plan that will expand and improve the skills sets on the Board of Directors and contract with a Charter School Management company with experienced operators to take over the day-to-day management of the school. The Board plans a management change at the school including board and administration to improve the school.

The Business and Financial section is well aware that the school has several facilities refinance options available to it which will allow the school to draw equity of about \$1 million which will enable the school to upgrade its facilities and provide needed working capital going forward.

If the State Board rejects the proposed charter revocation at this time it will preserve teachers' jobs and allow the school to complete its refinance option and allow this charter school to continue to serve this community.

Very sincerely,



Ozie Lee Hall, Jr.  
CEO/Principal

OH:

- c. Demyra R. McDonald-Hall  
Senator Don Davis  
Senator Louis Pate  
Dr. Joel Medley, OCS  
Lisa Swinson, OCS  
Superintendent Dr. June St. Clair Atkinson  
N.C. State Board of Education