

**MINUTES OF THE MEETING
OF THE BOARD OF DIRECTORS OF
EDNOVATE, INC.**

a California nonprofit public benefit corporation

Tuesday, May 23, 2017

The Board of Directors of Ednovate, Inc. (the “Corporation” or “Ednovate”) held a regular meeting on Tuesday, May 23, 2017 at the USC Hybrid High School (“USC HH”) located at 350 S. Figueroa Street, Suite 250, Los Angeles, California 90071.

The following Directors, constituting a quorum of the Board of Directors, were present in person:

Karen Symms Gallagher
Elliot Sainer
Marcia Aaron
Kate Hirsh

The following Directors were also present via conference call:
Alex Hernandez
Maria Ott

Also present were the following officers of the Corporation, staff and advisors who attended at the request of the Board:

Oliver Sicat	Ednovate CEO/President
John Iino	Reed Smith LLP
Deisy Castro	Reed Smith LLP
Reid Phillips	Ednovate COO
Lauryn Fullerton	Ednovate Chief of Schools
Katie Hart	Ednovate Director of Strategic Partnerships
Rachel Yang	Reed Smith LLP
Monika Holser	Reed Smith LLP
Olivia Yates	Brakeley Briscoe
Susan Rice	Brakeley Briscoe
Alexa Smith	Ednovate
Josh Kinoshita	Ednovate Director of Technology
Lisa Shapiro	USC Development
Rachel Beal	USC Development

Dean Karen Symms Gallagher served as the Chair of the meeting and Katie Hart served as Secretary of the meeting.

Welcome and Opening Remarks

The meeting was called to order at 4:21 p.m. by Dean Gallagher who welcomed the attendees.

Public Comment

Dean Gallagher asked if there were any public comments. There were none.

Consent Agenda

1. Approval of Consent Agenda: Approval of Nomination of Kate Hirsh as Board Member; Approval of Minutes of the February 21, 2017 Board of Directors Meeting and April 10, 2017 Special Meeting of the Board of Directors; Approval of the Amendment to the Third Amended and Restated Bylaws of Ednovate, Inc.; Approval of Prop. 51 Resolution; Approval of Bond Reimbursement Resolution; Approval of Sublease Agreement Between Bright Star Schools and Ednovate, Inc. for USC Brio College Prep. At 600 S. Lafayette Park Place, Los Angeles, CA 90057

Mr. Sainer requested the Approval of the Sublease Agreement be pulled off the Consent Agenda and reserved for further discussion.

Upon motion duly made by Ms. Aaron, seconded by Mr. Sainer and unanimously carried following a roll call for approval, the Board approved the consent agenda minus the Approval of the Sublease Agreement.

Ms. Hirsch, having been duly nominated and approved to the Board, joined the Board. Regarding the Approval of the Sublease Agreement, Mr. Sainer asked about the implications with a potential increase in SB 740. Reid Phillips, Ednovate COO, responded that the lease is FSG, which should maximize this benefit. Mr. Phillips also explained the arrangement regarding the co-location of USC Brio College Prep. with Bright Stars Schools.

Upon motion duly made by Mr. Sainer, seconded by Ms. Aaron and unanimously carried, following a roll call vote, the Board approved the Sublease Agreement Between Bright Star Schools and Ednovate, Inc. for USC Brio College Prep., at 600 S. Lafayette Park Place, Los Angeles, CA 90057.

Administrative Update

1. CEO's Report

Mr. Sicat stated that it was another great year at Hybrid High and that tomorrow is college-signing day. He said that regarding the strategic plan goals, they are 35.6% on ACRIs. They are one facility away from having all sites secured for next year. He stated that talent has

still been challenging. They are try to wrap up hiring for next year by May 1st, but are only 58% of the way complete for next year. They are constantly finding candidates and interviewing, but are still working hard to find the right talent. Most of the challenge is in staffing the new schools versus staff retention. Also, Hybrid High is graduating advisories and those advisors are starting to move on or take on new roles. Santa Ana is adjusting schedules for students on a week-by-week basis to provide better personalization. The Office Assistant at Hybrid High is implementing a great process for PMC Hours.

Mr. Sicat also stated that, during the next Board meeting, the Board will receive the updated handbook. There is one important update for the culture system. They are creating their own Ednovate definition of high expectation: “affirming and accountable.” They are always ensuring there is a positive interaction between staff and students in order for students to see their better self. For students that have earned many detentions, they can enter into a positive change contract. The focus is on alternatives to suspensions and restorative practices. Much of the language is aligned to LAUSD School Climate Bill of Rights 2015. They are adjusting promotion so that students will not have to take any class that they have already passed.

Dean Gallagher asks how students would see a change. Mr. Sicat explains that normally 13 detentions means summer schools, but with the behavior change contract, if that student exhibited a positive behavior change then some of the detentions will be removed and not lead to summer school. They are encouraging behaviors that we want to see and rewarding them. Ms. Aaron comments regarding rolling out restorative practices and developing training. She notes that the focus is on overall school culture so small things do not become big things.

With regard to the Growth Strategy Update – What does Ednovate look like after Phase 2 of growth, Mr. Sicat stated that they started a subcommittee in September/October to come up with this plan. Next year is a pause year in which they will not grow but rather prepare for next phase of growth. For the next three years, they will open two schools per year to get to eleven schools total. He explains that the executive summary analyzes their readiness and pause via an academic model, talent, market analysis, community support, facilities, development, finance, and organizational growth.

Mr. Sicat introduces Michael Buerger and Judy De Leon Chavez, from Abacus Education Partners, LLC, via conference call. They are the consulting team for the Growth Strategy. Mr. Sainer states that much time was spent on the strategy and extensive input was sought from throughout the organization and they did a really good job. Ms. Aaron stated that the team has been really engaged throughout the process and gave good input and that it is so impressive that Ednovate has been able to achieve its Phase 2 growth. She adds that hopefully the future of growth in LAUSD will be a little bit easier over the next 5 years and that they do not want to miss that opportunity.

Mr. Buerger stated that they have a robust plan with savvy members on the sub-committee who are clear on what they want to accomplish. He stated that it is aggressive but, based on current achievement, it is not impossible. Ms. De Leon Chavez stated that, regarding talent, it is clear that there are high expectations of staff as evident throughout the growth process. She commended the level of interaction and advocacy for the Ednovate students. Dean

Gallagher acknowledged the Development team from USC and their work in the Phase 2 growth fundraising. She introduced the Development team: Susan Rice and Olivia Yates. They have developed a 12-month plan as part of the growth strategy to ensure that the \$60 million goal for fundraising is met. Ednovate Support team members will be going to executive fundraising courses.

With regard to the relationship with USC moving forward, such as development, Dean Gallagher stated that any existing grants that USC has helped with, they will continue to cycle through. They are moving to a donor centric model where donors can chose whether they want to contribute to USC or Ednovate based on their interests, such as student scholarships, teacher training, operations, etc. If USC brings in a big donor, the funds will go through Rossier. There will be constant communication so they are not stepping on each other's donor relationships. Mr. Sicat mentioned how remarkable the partnership has been with Ednovate and USC regarding fundraising and that there is a living and vibrant prospect pool, which is great.

2. Approval of Strategic Plan 2018

Mr. Sicat presented the Strategic Plan 2018 to the Board. He explained that this is the 5th year of a 5-year strategic plan: Phase 1 - Launch of Hybrid High; Phase 2 – Build out to 5 schools; Phase 3 - Growth beyond 5 schools. This August they will fulfill Phase 2. Two areas that have since changed are (1) supporting our Operations Managers and track it as a network and (2) update to the culture snapshot. The focus is on preparing for Phase 3 growth since next year will be a pause year.

Dean Gallagher asked for explanation regarding the “90% or higher” on network operational excellence indicators. Mr. Sicat explained that they are going to track 5 main buckets: finance, facilities, school nutrition, compliance and enrollment/attendance. Dean Gallagher also asked if these are the same metrics for LA and OC, which Mr. Sicat confirmed. Ms. Hirsch asked if they will have a cumulative look at how they operated as compared to the SY17 Strategic Plan. Mr. Sicat explained that the charts sent out in the weekly Board email show the progress of each goal.

Upon motion duly made by Ms. Aaron, seconded by Mr. Sainer, and unanimously carried following a roll call vote, the Board approved the Strategic Plan 2018.

3. Approval of March 2017 Financial Package for Ednovate, Inc., and USC Hybrid High School, USC East College Prep, and USC College Prep, Santa Ana

Mr. Phillips presented the Board with the financial statements for the month of March, noting that that they are exceeding network projections for the year. It is a strong year regarding enrollment/ADA: 833 vs. 800 budget and 95.8% ADA vs. 94% budget. Regarding income projections, Mr. Philips explained that they are just over \$1 million net income of where they were predicting, which was due to higher ADA and receiving more network grants than were budgeted. There is 100 days of cash on hand as of March and 60 days projected for the end of the year in order to meet their goals. Net assets are projected to be around \$4 million. Mr.

Sainer asked for a reconciliation report to better vet the check registry. Dean Gallagher mentioned that the line of credit is being paid down.

Upon motion duly made by Mr. Sainer, seconded by Ms. Aaron, and unanimously carried following a roll call vote, the Board adopted the following resolution:

RESOLVED, that the March 2017 financial report, including the balance sheet as of 03/31/2016, the income statement for the period ending 03/31/2016, the check register from 03/01/2017 through 03/31/2017 and the credit card register from 02/28/2017 to 03/31/2017, attached hereto as Document 1, is hereby approved.

4. Approval of The Second Interim Financial Report

Mr. Phillips presented the Board with the financial report that was prepared after the February 21, 2017 Board Meeting and but which reflects financial information through January 31, 2017. He explained that this is the template that is reported to authorizers.

Upon motion duly made by Ms. Aaron, seconded by Mr. Sainer and unanimously carried following a roll call vote, the Board adopted the following resolution:

RESOLVED, that the Second Interim Financial Report, for fiscal year 2016/2017 for USC Hybrid High School, USC Each College Prep., and USC College Prep., Santa Ana, attached hereto as Document 2, is hereby approved.

Acknowledgements and Closing Remarks

As there was no further business to come before the Board, a motion to adjourn the meeting was made by Ms. Aaron, seconded by Mr. Sainer, and unanimously carried. The meeting was adjourned at 6:06 p.m.

Karen Symms Gallagher
Chair of the Meeting

ATTEST:

Katie Hart
Acting Secretary