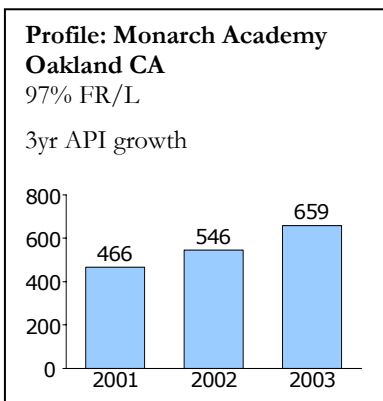**Aspire**
PUBLIC SCHOOLS

BUSINESS PLAN

May 2004

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Aspire Public Schools is a pioneer and leader in California public education. In five years, Aspire has opened 10 high-quality, small, college-preparatory schools throughout northern California, and has demonstrated the important role of charter schools in providing education opportunities for California's diverse youth. Aspire is now widely regarded as one of the leading not-for-profit charter management organizations in the country.

The need for change in California's public school system is unquestionable. Less than half of its fourth graders have basic reading skills and only two-thirds have acquired basic math skills[1]; schools in urban areas are woefully overcrowded; and the shortage of teachers has brought the system to a breaking point.

Fortunately, Aspire and other charter organizations have already begun to shift the landscape of California education. Educators, parents and politicians increasingly recognize the value of providing public school choices to families – particularly those who historically have not had access to, information about, or a sufficient supply of high quality alternatives to failing schools.

Profile: Monarch Academy Oakland CA
97% FR/L

3yr API growth

In its first five years, Aspire focused on testing the concept of a charter management organization. Aspire developed its education model, navigated the challenges of finding and financing facilities, cultivated relationships with districts, and created 10 high performing schools in 5 districts. In the process, Aspire has established itself as a premier provider of public school choice in California: its schools have had strong academic results, parents and teachers are highly satisfied, and the organization was named by Fast Company magazine as one of the top 20 social entrepreneurial organization in the country in 2004.

Now Aspire is at a strategic turning point, with an opportunity to fulfill its longer-term vision of improving education statewide. Aspire's refined strategy continues to create direct impact with students by building quality small schools, and expands its efforts to generate a broader impact in the state – by influencing changes in districts, building the capacity of other CMOs, and advocating for educational reforms. This strategy builds on Aspire's experience and knowledge from its work thus far.

Aspire has already seen evidence that its strategy of working collaboratively with districts can create change. From opening their own charter schools to building new schools

Profile: Ravenswood City and Sequoia Union School Districts East Palo Alto, CA

As part of its collaborative strategy, Aspire is working with the Sequoia Union and Ravenswood City School districts to create new options for students in East Palo Alto.

These districts are working together to build a new Aspire secondary school in a neighborhood that has not had its own high school for nearly 30 years.

for Aspire to run, districts are beginning to experiment with new ways to provide quality education and choice in their communities in ways that were not thought possible just five years ago.

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[1] National Assessment of Educational Progress (NAEP), 2003

To implement its strategy and achieve its ultimate vision of improved student achievement statewide, Aspire plans to grow significantly in the next decade. Specifically, Aspire hopes to operate 50 schools by 2015. At 50, Aspire will have more schools serving at-risk youth in California than any other district aside from Los Angeles and Fresno.

Growth will occur primarily in four strategic geographies: Los Angeles, Oakland, Sacramento, and Stockton. Smaller-scale strategic initiatives are also planned in East Palo Alto and Modesto. Focusing on a select number of geographies will enable Aspire to create local district change while creating a statewide platform for advocacy and capacity building.

Aspire's growth will occur in two phases. In the first phase, Aspire will strengthen and build the organization in anticipation of further growth. In the second phase, the organization will refine the strategy and implement it to reach Aspire's full potential. The second phase will include strategic checkpoints every 10 schools, during which Aspire will assess its progress and impact, and re-evaluate its strategy.

As it grows, Aspire will continue to implement its successful elementary educational model, and will refine its secondary model to enhance students' preparation for college. Aspire's schools will cover their costs with state and federal per-pupil funding once they are fully enrolled and initial start-up/scale-up costs are paid.

To manage the expansion, Aspire will realign its organization by creating regional offices in the Central Valley, Los Angeles, and the Bay Area. The Home Office will set strategy, manage quality and provide support to the regional offices, which in turn will implement Aspire's systems and processes, manage quality, and provide day-to-day support for the schools.

To reach 50 schools, Aspire will raise $17 million in new philanthropy (through FY2015). $11 million is required by FY2009. This will cover the costs of new school start-up and scale-up, as well as home office and regional office operations. It includes expected one-time facility costs for some schools, assuming a mix of facility types and facility financing approaches. It assumes that Aspire will receive gifts already pledged, and that past philanthropic commitments and federal grants will continue to be available for new school start-up.

With this investment, Aspire can build an organization that will provide a high quality education to 17,500 students, catalyze positive changes in districts, advocate for improvement in public education, and ultimately make a fundamental difference in the lives of children throughout California.

OVERVIEW OF ASPIRE PUBLIC SCHOOLS

Aspire Public Schools was founded by Don Shalvey and Reed Hastings in 1998[2]. In his role as superintendent of San Carlos Unified School District, Dr. Shalvey was responsible for starting California's first, and the nation's second, charter school. Mr. Hastings, a prominent Silicon Valley entrepreneur and former teacher, joined forces with Dr. Shalvey in the late 1990's to advocate successfully for raising the cap on the number of charter schools allowed in the state. In the process, they realized there was a tremendous need for talented educators to create the hundreds of charter schools they envisioned. Thus, in 1998, with seed funding from Mr. Hastings, Dr. Shalvey started Aspire Public Schools and the organization opened its first charter school.

> **Vision**
> To enrich students' lives and reshape local public school systems.
>
> **Mission**
> Aspire builds quality small schools that provide choice in underserved neighborhoods, in order to:
> - Increase the academic performance of California's diverse students,
> - Develop effective educators,
> - Catalyze change in public schools, and
> - Share successful practices with other forward-thinking educators

Since that time, Aspire has grown significantly, operating 10 schools in four California communities (East Palo Alto, Modesto, Oakland, and Stockton/Lodi), serving more than 3,100 children in 2003-2004. Aspire's model emphasizes building highly personalized, high-quality, small schools that provide an alternative to failing schools. Aspire seeks to provide a choice to families and communities that would otherwise not have access to high quality education, particularly in communities where more than 75% of the students are low-income (i.e., they qualify for federally subsidized free or reduced price meals).

To date, Aspire's 10 schools have had a 91% re-enrollment rate and demand for places in Aspire schools exceeds capacity by over 50%. Teacher and parent feedback is impressive – more than 90% of Aspire parents rate their children's school an "A" or a "B" (compare that with a national average of about 58%), and 97% of teachers express satisfaction with their job.

> **Values**
> - *Collaboration:* Working collectively to accomplish more than what is possible alone
> - *Ownership:* Individual and group responsibility for results, actions and decisions
> - *Quality:* Commitment to excellence and the discipline to continually improve
> - *Customer Service:* Responsiveness to the needs of external and internal customers
> - *Purposefulness:* Deliberate action, focused on the organization's goals and priorities

Even more impressive are the academic gains achieved by Aspire students. Between 2000 and 2003, University Public School in Stockton (Aspire's first campus) gained 160 points on California's Academic Performance Index (API[3]). Between 2001 and 2003, Monarch Academy in East Oakland gained over 200 points on the California API. That performance placed both schools in the top 1% of all California schools by API growth for that period.

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[2] Originally founded as University Public Schools, the organization changed its name in July 2000 to avoid confusion with other education institutions, provide legal protection for its brand, and create a theme for naming new schools.
[3] The Academic Performance Index (API) is the cornerstone of California's Public Schools Accountability Act of 1999 (PSAA). The API measures the academic performance and growth of schools. It is a numeric index (or scale) with a low of 200 and a high of 1000. The statewide API performance target is 800

THE EDUCATION CHALLENGE IN CALIFORNIA

California's schools are failing. Only 49% of fourth graders have achieved at least a basic reading level (compared to 62% nationwide), and the state scored 47th out of 50 states in reported reading test scores. Math scores were similarly dismal; the state tied for 45th out of 50 states.[4] About 67% of students graduate high school, compared to the national average of 70%; and that number falls to 58% and 56% for California's African American and Hispanic students respectively.[5]

This is sad, but perhaps not surprising, given the state of our schools and the complexity of educating California's children. California's schools are overcrowded and many lack the funds to repair basic infrastructure, let alone to provide up-to-date textbooks, build libraries, or install computers. The average parochial school in the United States has 204 students, the average private school 137 students, while the average public school in California has 638 and 1,458 students for elementary and secondary respectively.[6] Over 1,000 schools are deemed critically overcrowded: 200 to 300% above the recommended school density level.[7] The state per pupil funding is just $6,055 on average, one of the lowest in the nation, half of the District of Columbia's per pupil funding, and a quarter of private school tuitions in places like Palo Alto.[8]

To add to the challenge, many students come to school hungry and tired; in many urban schools 90% of students are eligible for free or reduced lunch, compared to 31% statewide.[9] Over one-quarter of California's students come to school with limited understanding of English (i.e., are designated English Language Learners). In addition, many schools are a melting pot of students from many cultural backgrounds; California is one of only five states with a "minority majority".[10]

Successfully teaching such a diversity of students requires some fundamental changes in California's education system.

THE ROLE OF CHOICE

One powerful way to improve California's public education system is to increase the supply of small, high-quality alternatives to the current schools. Research has shown that student performance increases when students are educated in smaller environments where they know and are known by their teachers.[11] When parents have meaningful choices, they can select a school that best meets the needs of their child. Furthermore, by going through the process of choosing a school, parents get more involved in their child's education. This is a powerful combination that has traditionally only

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[4] National Assessment of Educational Progress (NAEP), 2003
[5] Green, Jay and Greg Forster, "Public High School Graduation and College Readiness Rates in the United States," Center for Civic Innovation at the Manhattan Institute, September 2003.
[6] National Center for Educational Statistics (NCES), Private School Survey 1999-2000; NCES Common Core Survey Data 2000-2001
[7] California Department of Education
[8] National Education Association, 2003; Menlo High School, Atherton, California
[9] NCES, 2003
[10] NCES, 2000
[11] *Small Schools: Great Strides*, Wasley, Fine, Gladden et al, 2000; and *High school size: which works best and for whom?*, Lee and Smith, 1997

been available to those who can afford to send their students to private or parochial schools. To alter the system, real choices must be made available to families at all socio-economic levels.

For that choice to be effective, parents must have: 1) a reliable supply of high quality alternatives; 2) reasonable access to those schools, including transportation; and 3) information to make informed choices about which school will provide the best education for their child's individual needs.

In an effort to increase the supply of high-performing schools, California became the second of 40 states plus the District of Columbia to pass legislation that authorizes the creation of charter schools. A charter school is a public school that has been given freedom from state educational regulations. In exchange, the charter school is fully accountable for its educational results and fiscal solvency. Charter schools receive funding from the state, according to the same per-pupil formula used to fund non-charter public schools. Charter schools have no admission requirements, are non-sectarian, and do not charge tuition. [See Appendix A for additional background on charter schools]

Charter schools are an important mechanism for increasing educational choices for all Californians. Other efforts to increase supply, access and information will undoubtedly continue to be an important part of education reform efforts nationwide.

CURRENT ALTERNATIVES FOR INCREASING SCHOOL CHOICE IN CALIFORNIA

While a number of efforts have been made to improve the system and provide choice, supply is limited and there are a number of shortcomings with current alternatives. [See Appendix B for a more detailed discussion of the current marketplace]

Public school reform efforts
While many local public schools are inadequate, even the most impoverished areas have a few schools that excel. To improve performance, some public schools adopt a whole school reform model, working with school reform support providers such as Coalition for Equitable Schools, or Accelerated Schools. Other public schools adopt a specific curriculum (e.g. Success for All) to improve student performance; often these programs also require changes in pedagogy, scheduling, staff development, student grouping, and assessment. These approaches to school reform have mixed results: some schools have experienced tremendous improvement, while others are no different. Changing existing systems is extremely difficult, very time-consuming, and often less effective than starting anew. Some districts have tried to address this challenge by creating some choice within the district, through magnet schools, schools within a school, and "small autonomous schools." These initiatives, when supported internally by teachers unions, can be effective; sometimes they are still saddled with bureaucracy or programmatic constraints.

For-profit charter schools and management contracts
In other states, for-profit school management companies have been established to take advantage of the nationwide charter school business opportunity. However, the average per-student funding in California is so low (46th in the nation and over $2000 less than New York City)[12] that most companies have chosen not to venture into California because operations would be unprofitable. It is often politically difficult for for-profit companies to operate charters, since many parents and

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[12] National Education Association

educators fear that for-profit companies might focus on stockholder returns to the detriment of educational quality and student achievement. Many for-profit companies have the advantages of scale, experience, and funding from the private sector.

Not-for-profit individual charter schools
Charter schools hold tremendous promise for improved public education. Many of the 400+ charter schools in California have strong support from the community they serve, and some have demonstrated educational results. However, individual charter schools are usually small, stand-alone programs designed to serve a specific neighborhood, not to change the system. They typically lack the interest, financial backing and political force necessary to change California's public education landscape more broadly.

Not-for-profit Charter Management Organizations
Charter management organizations (CMOs) are centrally managed systems of charter schools that can leverage the benefits of scale and experience. CMOs can take a number of different approaches to organizing and managing the education program, governance, and business functions; managed correctly, they can increase school quality and consistency, increase the leverage of organizational resources and expertise, and attract and develop new educators and leaders. California is home to several CMOs, and the sector has attracted the interest of many education philanthropists. Aspire was the first to develop and implement a not-for-profit CMO business model, and is now widely considered one of the leading charter management organizations in the country.

ASPIRE'S STRATEGY FOR IMPROVING STATEWIDE EDUCATION

Aspire Public Schools is at an important juncture. Even more than at its founding, the organization's work has tremendous potential to catalyze change in the public education system statewide. As a result, Aspire has honed its strategy to reflect its refined views on what is needed to create change in California and what the organization's role will be in that change.

| **Theory of Action** |
| What the organization must do to create direct impact |
| **Theory of Change** |
| What the organization must do and what must happen externally to cause direct and indirect |

Vision
Aspire's ultimate goal is to improve the achievement of all students in California – as measured by academic performance and increased college matriculation and graduation rates. There are two steps to achieving that vision:
1) Aspire must open enough schools in underserved neighborhoods to provide real choices for families and demonstrate superior academic achievement in these schools. Aspire's "Theory of Action" describes the activities required to achieve this direct impact in Aspire's targeted communities.
2) Then, Aspire must leverage its success to improve student achievement for all students in California. This impact would be indirect, but broader. The "Theory of Change" describes how Aspire plans to translate its direct impact into systemic change.

Aspire's Strategy for Improving Public Education California-wide

Select "strategic" geographic areas where Aspire develops a critical mass of schools in order to create positive change

Cultivate a positive environment for starting Aspire schools

Create community demand for Aspire schools

Theory of Action

Deliver consistently superior results in Aspire schools

Provide schools with appropriate support

Intended Direct Impact

All Aspire schools demonstrate superior achievement and provide choice in under-performing neighborhoods

District Change

Theory of Change

Building capacity

Advocacy

Ultimate Goal

CA student achievement improves; more students attend and complete college

"Tip California"

Aspire's Theory of Action – Achieving direct impact

Aspire's Theory of Action focuses on creating a critical mass of high-performing schools in strategic geographies. Geographies are selected for their demonstrated need, fit with Aspire's strategy, and Aspire's ability to open schools there. (See Section 2, Growth Plan)

In each of these geographies, Aspire must:

1) Cultivate a positive environment for starting Aspire schools by building relationships with local districts, improving the legislative environment for charter schools, and working with others to solve systemic obstacles to charter growth.
2) Create community demand for Aspire schools, by educating and informing parents, students, and community leaders about charters, the power of choice, and Aspire.
3) Deliver consistently superior results in those schools, by attracting and developing talented educators, ensuring that the education design is effective, and using data well.
4) Provide appropriate support for schools from the home office, by providing administrative and operational support, creating physical environments conducive to learning, and ensuring a strong funding base.

Aspire believes that these four tasks, well-executed, will lead to its Intended Direct Impact of demonstrating superior achievement and providing choice in the neighborhoods where Aspire operates.

Aspire's Theory of Change – Achieving broader impact

With its network of high-performing schools, Aspire seeks to have broader impact using three levers. First, Aspire seeks to create **district change** within its selected geographies, by influencing, modeling or pressuring change. District change is the primary focus of Aspire's work. In addition, Aspire seeks to **build capacity** among other educators, charters, and CMOs, which collectively will create a statewide network of high performing schools. Finally, Aspire will **advocate** for changes in educational policies, practices and institutions in California. Together, these three activities will create the changes necessary for improved achievement for all California students.

District change

Aspire aims to influence districts to alter their practices to improve student achievement. Specifically, Aspire encourages districts to create more choices for students and more flexibility for educators, with the goal of improving schools and student achievement. Aspire does not promote a specific education design or curriculum.

Districts are a key lever in education reform because they are the main provider of public education services, and they influence state education policies. Aspire has chosen to work with a small number of highly influential districts that can serve as a model for change, are prominent in the dialogue about reform, and directly influence leaders and policymakers. Aspire's interactions with these districts will vary by geography and over time. In some cases, merely building a small cluster of schools may be sufficient to inspire district-level changes. However, in most cases, Aspire will create a deeper collaborative relationship with the district to stimulate change. Collaboration, rather than competition, is Aspire's strongly preferred method of engaging with a district. Collaboration is most likely where Aspire is able to support solutions to the district's problems (e.g. overcrowding, schools affected by No Child Left Behind), and could take a variety of forms that cannot be predicted. An Aspire Board member may have an informal conversation with a district Board member that leads to a new Board policy embracing choice. Aspire might partner with the teachers' union to open small academies within schools. Aspire practices might provide a model that inspires district teachers to try a new approach. The district may initially use Aspire to solve its overcrowding problem, and find later that Aspire leaders are valuable thought partners in crafting the district's reform strategy. A district principal may send teachers to Aspire's model classrooms to learn a specific pedagogical practice. Regardless of the form, Aspire hopes that its district relationships will evolve in ways that benefit all of a district's students.

If a collaborative approach fails to result in meaningful changes over time, Aspire may increase financial and community pressure on the district to try to spark change. Financial pressure can be created by building a significant number of additional charters within a single geography, drawing more students into the charter schools. Community pressure can be created by working with community groups to increase awareness of public education choices.

Capacity building

The growing number of charter management organizations is another important lever in education reform, one which can help Aspire multiply its own impact. As one of the leading CMOs in California, Aspire has already addressed some of the challenges that other organizations have yet to face; this experience can be used to accelerate the creation, growth and efficacy of other charter organizations. Aspire has and will continue to provide technical assistance to other charter organizations nationwide. Aspire shares policies, procedures, curriculum, and other information; Aspire executives serve as mentors to other charter leaders. Aspire believes that its support will help other charter organizations create change in the districts in which they work, and the resulting number of high-performing schools will serve as a platform for promoting statewide change.

Advocacy

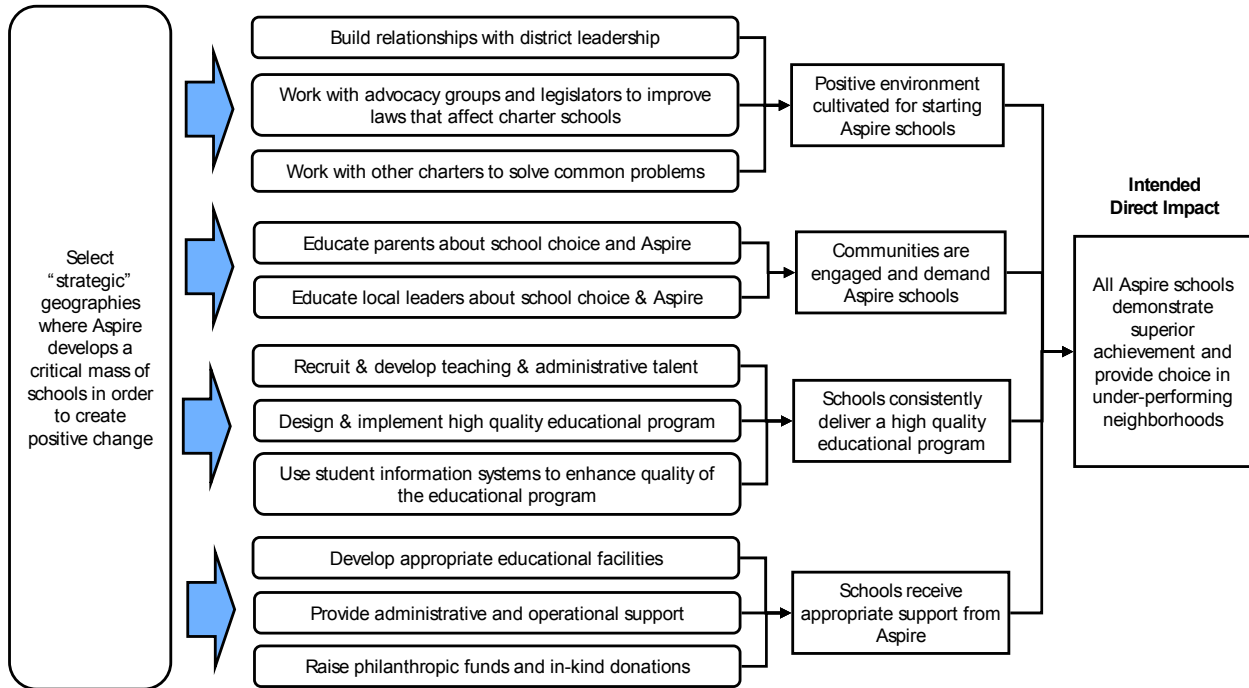Improvement in California's educational policies, practices and institutions is essential if Aspire is to accomplish its ultimate vision of increasing statewide student achievement. Therefore, Aspire will also engage in advocacy to bolster education reform efforts. Aspire will increase public awareness of charters as a lever to improve education opportunities, join advocacy campaigns, and participate in
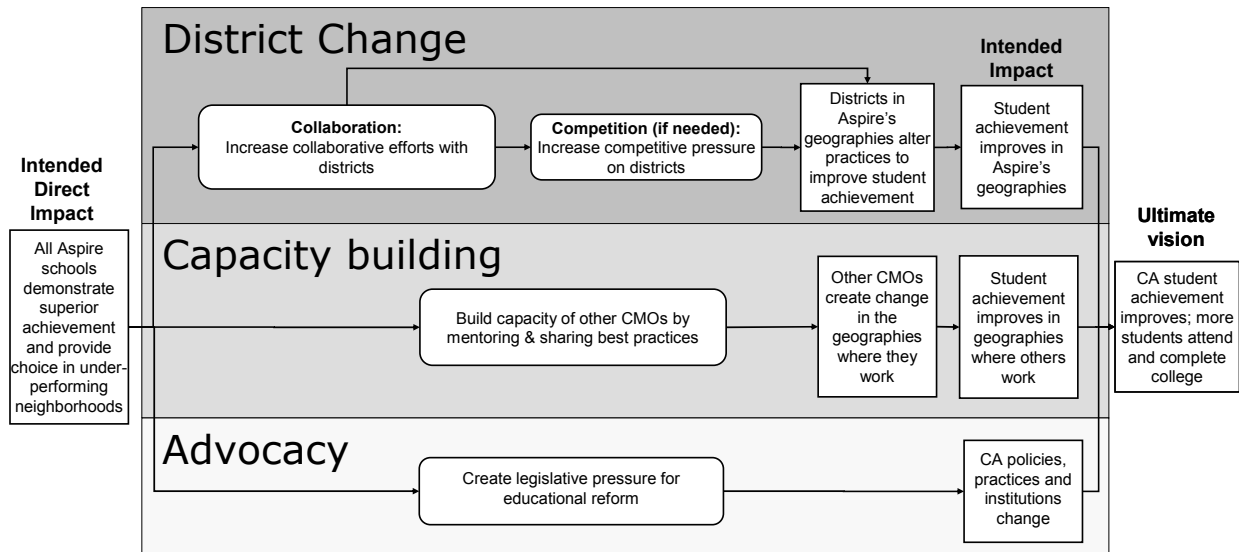
government decision-making entities. Aspire's CEO serves on the Board of Directors for EdVoice, an education advocacy organization; he also serves on the California State Education Commission on Special Education. In these roles, he increases policymakers' understanding about the real challenges of running effective schools.

Aspire's Theory of Action

Select "strategic" geographies where Aspire develops a critical mass of schools in order to create positive change	Build relationships with district leadership Work with advocacy groups and legislators to improve laws that affect charter schools Work with other charters to solve common problems	Positive environment cultivated for starting Aspire schools
	Educate parents about school choice and Aspire Educate local leaders about school choice & Aspire	Communities are engaged and demand Aspire schools
	Recruit & develop teaching & administrative talent Design & implement high quality educational program Use student information systems to enhance quality of the educational program	Schools consistently deliver a high quality educational program
	Develop appropriate educational facilities Provide administrative and operational support Raise philanthropic funds and in-kind donations	Schools receive appropriate support from Aspire

Intended Direct Impact

All Aspire schools demonstrate superior achievement and provide choice in under-performing neighborhoods

Aspire's Theory of Change

District Change

Intended Impact

Collaboration: Increase collaborative efforts with districts → Competition (if needed): Increase competitive pressure on districts → Districts in Aspire's geographies alter practices to improve student achievement → Student achievement improves in Aspire's geographies

Intended Direct Impact

All Aspire schools demonstrate superior achievement and provide choice in under-performing neighborhoods

Capacity building

Build capacity of other CMOs by mentoring & sharing best practices → Other CMOs create change in the geographies where they work → Student achievement improves in geographies where others work

Ultimate vision

CA student achievement improves; more students attend and complete college

Advocacy

Create legislative pressure for educational reform → CA policies, practices and institutions change

GROWTH PLAN

To accomplish its strategy, Aspire plans to grow to 50 schools, primarily in four strategic geographies: Oakland, Sacramento, Stockton, and Los Angeles. A few new schools may also be opened in East Palo Alto and Modesto, as part of strategic initiatives. This approach of concentrated growth is designed to lead to both the direct and indirect impact that Aspire seeks.

Growth target: 50 schools
Aspire believes that impact will require scale, and that at 50 schools, it will be:
1) big enough to be relevant in California, and
2) big enough to reach financially sustainability, but
3) small enough to preserve flexibility, culture, and values.

Relevance: Being relevant in California will require Aspire to serve a high number of disadvantaged students, face similar challenges as school districts, and attract the attention of legislators. At 50 schools, Aspire will be a "top five" district in terms of number of schools serving low income students, and a "top 10" district in terms of number of low-income students served.

Aspire's rank among districts serving over 70% F/RL students[13]

Number of Aspire schools	Number of Aspire students	District Rank: number of schools serving 70%+ F/RL	District rank: number of F/RL students
20	8,000	12	21
40	16,000	5	11
60	24,000	3	7
80	32,000	3	6
100	40,000	2	4

At 50 schools, Aspire will be larger than 90% of the districts in the state (regardless of student population), and will have faced many challenges that districts confront. This experience will provide credibility in the eyes of district officials and state policy makers.

Financial sustainability: Aspire has always intended to become financially self-sustaining with state, federal and local per pupil funding, without additional philanthropy to cover the recurring costs of school, home office, and regional office operations. (Aspire expects to continue to require philanthropy to cover the costs of starting new schools.) Based on financial projections, Aspire will reach that point of sustainability at about 45 schools. (See Section 5, Financial Projections)

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[13] Source: API base index 2001-2002 for California; QuickQuest 2002-2003 enrollment data; assumes 400 students per Aspire school; The top five districts by number of schools are Los Angeles Unified, Fresno Unified, San Bernardino City Unified, Santa Ana Unified and Bakersfield City Elementary; by number of students are Los Angeles Unified, Fresno Unified, Santa Ana Unified, San Bernardino City Unified, and Stockton City Elementary

Home office/regional office (HO/RO) expense versus revenue

Revenues/Expenses (in $ miilion)

Number of schools in Aspire system
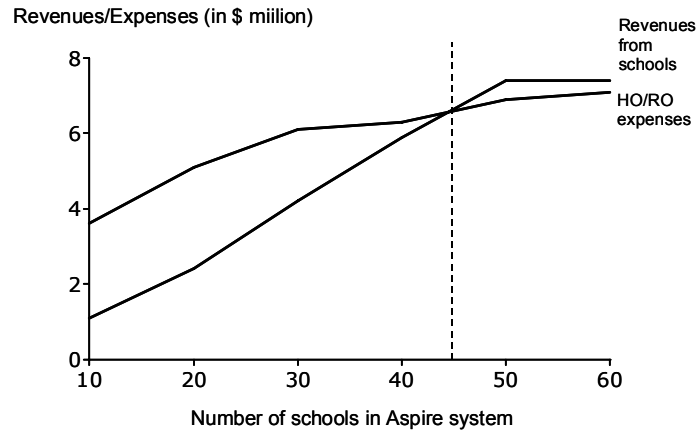
Culture: Aspire feels that at 50 schools, it will still be small enough to preserve its high quality, flexibility, culture and attention to the individual students.

Strategic Clusters: Oakland, Sacramento, Stockton, and Los Angeles

Aspire has always believed that geographic concentration is essential to maintaining high quality, ensuring operational efficacy, and maximizing potential impact. Educators within a smaller geographic area can more easily visit each other, share best practices, and build collaborative relationships. Schools can share special subject teachers, and instructional coaches can spend more time in schools rather than in transit. Clusters of schools can take advantage of economies of scale to reduce operating costs (e.g. recruiting, purchasing). Word-of mouth among satisfied parents and fulfilled teachers makes enrollment and recruiting more effective, and builds community support for additional schools. Starting new schools in an area is easier after the first one has been proven a success. A cluster of schools in an area is also more likely to spark change in the system simply because it will have a greater presence and share of mind among educators, legislators, and parents.

Aspire envisions that each cluster, once fully completed, will have between 8-12 schools, and would include several feeder patterns of elementary and secondary schools. Each cluster will be built at a moderate pace, over about 10 years. Early growth will emphasize K-5 schools; grade 6-12 campuses will be added over time to accommodate new grade levels of enrolled students. Grade distribution between campuses can be temporarily flexible (i.e. 6th graders may be temporarily housed at the elementary school), and may also vary depending on the needs of the community.

The organization has selected four geographic areas in which to build clusters. Aspire already has a presence in three of those areas: Oakland, Sacramento, and Stockton. A fourth strategically critical area, Los Angeles, will be added.

Individually, each geographic area matches Aspire's criteria. Together, they maximize the likelihood of Aspire's achieving its ultimate vision. These selected geographies:
   1) Have a demonstrated need,
   2) Fit with Aspire's strategy, and
   3) Are places where implementation is possible.

Demonstrated need

Part of Aspire's mission is to educate kids who are not well-served by the existing educational system. As a result, Aspire targets neighborhoods where 1) a high percentage of students receive free or reduced lunch, 2) many schools have low relative API rankings, and 3) many schools are crowded.

A Demonstrated Need[14]

Geography	% students with free or reduced lunch	% students in schools with ≤3 "similar schools" API ranking	Average number of students per school
Oakland	51%	61%	551
Sacramento	62%	34%	685
Stockton	69%	84%	927
Los Angeles	76%	28%	1,249

Fit with the strategy

Individually and collectively, Aspire's target geographies will maximize the organization's ability to execute its Theory of Change. Catalyzing *district change* through collaboration is most likely in areas with some smaller districts, where a cluster of Aspire schools would be more visible. In gigantic Los Angeles Unified School District, Aspire plans to focus in a few sub-districts in Central and East Los Angeles to increase concentration. Aspire's impact through *capacity-building* will be proportional to the number of other organizations in any given area. Los Angeles has the largest number of charters and CMOs to work with, while Sacramento and Oakland a smaller but growing number of charter organizations. Most of Aspire's *advocacy* work will be done through partners such as EdVoice.[15] However, Aspire also plans to work directly with decision makers, influencers, and advocates for change. A presence in Sacramento, the state capitol, will increase Aspire's visibility among legislators. Los Angeles, represented by nearly one-third of state's senators and assemblymen, is also crucial for advocacy. Oakland is a high-profile district because of its size, complexity, and history.

Fit with Strategy

	District change	Capacity building	Advocacy
Oakland	**High**	Medium	Medium
Sacramento	**High**	Medium	**High**
Stockton	**High**	Low	Medium
Los Angeles	Low	**High**	**High**

Ability to implement

Each of the selected geographies has conditions that will make it possible to develop a cluster of schools. Aspire's ability to implement is influenced by many factors, including: availability of facilities, predisposition of districts towards charters, presence of implementation partners, and interest among investors. Although each district poses unique implementation challenges, Aspire believes it will be able to execute its strategy in each of the chosen geographies.

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[14] Source: API base index 2001-2002 for California; QuickQuest 2002-2003 enrollment data
[15] EdVoice is a statewide, grassroots organization promoting education reform and support for California public schools.

Strategic initiatives
In addition to the four primary geographies, Aspire will pursue smaller-scale strategic initiatives in East Palo Alto and Modesto.

East Palo Alto[16], with a considerable proportion of low income students and high concentration of existing charters, presents a unique opportunity to test the effects of clustering at a smaller scale. Aspire plans to establish 1-2 new schools in the area, in addition to its two current schools. Lessons learned from the East Palo Alto will inform Aspire's broader strategy as it continues growing.

As one of Aspire's first geographies, Modesto has demonstrated the importance of high quality small schools in communities. Aspire expects that Modesto will continue to serve as a laboratory for informing Aspire's strategy. No new schools are likely to be added to Aspire's current two, but the well-established Modesto schools will continue to play an important role as Aspire perfects its design, adds supplemental programs, and refines its strategy.

Scale within geographies: 10% of enrollment
Aspire aims to enroll about 10% of students in selected geographies, in order to:
1) create change within the district(s), and
2) reach a minimum efficient operating scale for its regional offices.

Research indicates that when 5-10% of students are enrolled in schools of choice, districts change in ways that increase student achievement.[17] To get to that target enrollment, Aspire would need to operate 13 schools in Oakland, 11 in Sacramento, 12 in Stockton, and 12 in selected sub-districts of Los Angeles. (Los Angeles Unified School District's mammoth size makes it impractical to achieve 10% of enrollment.)

To operate efficiently, Aspire needs seven or more schools in each region. This assumes that, of Aspire's 7% overhead charge, one-third is used to cover home office costs and two-thirds are used to cover regional office costs.[18] Aspire expects to reach efficient scale in all of its regional offices well before achieving the targeted enrollment level.

Growth trajectory
Aspire expects to grow gradually and evenly in all four geographies simultaneously, rather than sequentially cluster by cluster. Assuming a steady rate of growth of about 3-5 schools per year, Aspire will be able to reach its overall target of 50 schools system-wide by 2015.

PHASES OF GROWTH

This growth strategy will be implemented in multiple phases. During the first phase, from Spring 2004 to Fall 2005, Aspire will strengthen and expand its core elementary offering and build

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[16] East Palo Alto is served by two school districts: Ravenswood (elementary) and Sequoia (high school).

[17] The limited research suggests that "a persistent drawing away of more than 5 percent of enrollment" can catalyze change at the district level. From Carolyn Hoxby, "School Choice and School Competition: Evidence from the United States," U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2001-02.

[18] Using the projections for Los Angeles, at 7 schools the regional office costs $0.6m and Aspire receives approximately $1m in revenue, $0.7m for regional office and $0.3 for the home office.

infrastructure and systems for growth. In the second phase, Aspire will execute the growth plan, expanding to Los Angeles and expanding its secondary program, with strategic checkpoints planned for every 10 new schools.   Ultimately, Aspire expects to reach **50 schools in four strategic clusters by 2015.**

PHASE ONE: STRENGTHENING AND PLANNING

The objective of Phase One is to build an organization capable of supporting its growth plans. This phase also serves as a planning period for Aspire's two major growth initiatives: expanding to Southern California and augmenting its secondary school offering. Main activities during this phase include: developing and implementing systems and processes; hiring and training staff; and creating implementation plans for the growth initiatives.

To track its progress, Aspire has identified key milestones that must be achieved before moving from Phase One to Phase Two. If any milestones are not met, Aspire will revisit its assumptions and fine-tune its strategy to address the emerging issues. [See Appendix C for a list of phase one milestones] In addition, Aspire will continue to track its Balanced Scorecard metrics to evaluate its own results on the Theory of Action and Theory of Change. [See Section 7, Metrics]
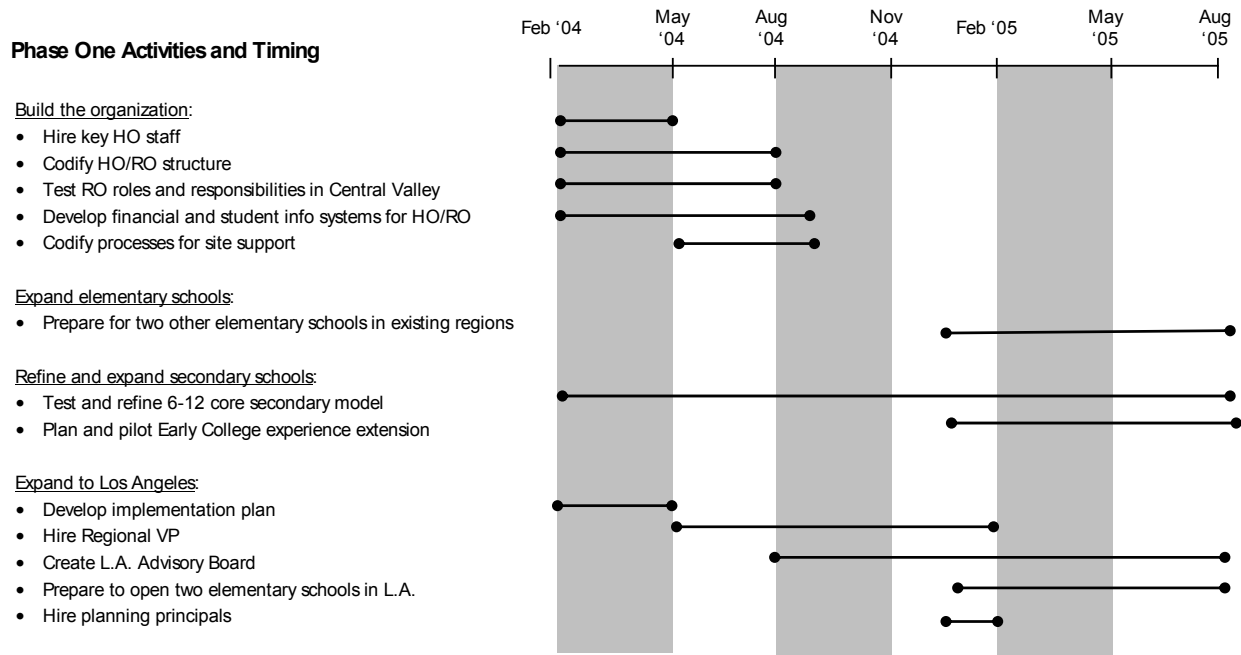
PHASE TWO: FULL-POTENTIAL EXECUTION

The objective of Phase Two is to reach **50 schools in four clusters by 2015**. During this phase, Aspire expects to open about 3-5 schools per year. Growth will be staged with **checkpoints every 10 schools**, in order to ensure the organization's strategy is refined as needed. In the process, Aspire will test its clustering strategy, develop its regional capabilities, and extend the early college component of the secondary model. Growth plans and strategy will be adjusted as necessary.

Aspire will continue to build the organization. In addition to investing in additional systems and staff, Aspire will establish teacher credentialing and administrator credentialing programs[19]. These programs, likely designed and implemented in partnership with others, will be critical to ensuring all Aspire schools are staffed with high quality educators and leaders who are aligned with Aspire's culture and values.

Phase Two will also include expansion of the early college component of Aspire's secondary model, with the addition of a variety of mechanisms to provide students with college experiences in high school. The pilot of Grade 13, including both the curriculum and the economics, is a particularly important project. If the pilot is successful, Aspire expects that all new secondary schools will be designed with Grade 13.

Expansion to Los Angeles will be a crucial test of the feasibility and efficacy of the regional management structure. Aspire plans to start initially with two elementary schools, refine regional management systems and processes, and then increase both the number and grade levels served.

Checkpoints
As Aspire implements it growth plan, the organization's management team and Board of Directors will monitor the metrics and milestones on a quarterly basis to determine the organization's progress and refine its strategy as appropriate. [See Section 7 and Appendix C] In addition, after every new 10 schools, Aspire will conduct a major review of progress against its metrics. This formal review will also include an evaluation of the external environment, risks, opportunities, and the organization's impact to date. Given the projected pace of growth, these checkpoints will occur roughly every two-three years after Phase One.

KEY SUCCESS FACTORS AND POTENTIAL RISKS

Aspire's success will depend on its ability to manage seven major risk factors:
1) *Organizational capability*: building the systems, infrastructure and staffing at the Home Office and Regional Offices, as required to support organizational objectives;
2) *Program quality*: consistently executing high-quality, personalized, college-preparatory learning experiences that lead to exceptional academic results;
3) *Facilities development and financing*: acquiring and developing suitable and affordable school facilities;
4) *District relations:* managing the relationship with local school districts, including acquiring and renewing charters and preparing for the possibility of hostility from districts;
5) *Human resource management:* attracting, developing and retaining high quality educators and administrators who are able to implement the Aspire education design at the school sites;
6) *Government funding*: securing all available federal, state and local per pupil funds to ensure all schools are financially self-sustainable at steady state; and
7) *Philanthropic funding:* securing the gifts and grants required to start and scale new schools and to cover scale-up costs of home and regional offices

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[19] Aspire has already received approval from the California Commission on Teacher Credentialing to pilot an alternative teacher certification program, much like a district intern program. Aspire has also established a relationship with San Jose State University to provide a Tier I administrator credentialing option for working Aspire administrators.

Building organizational capability

Aspire must have a strong organizational infrastructure capable of consistently implementing the educational program in a growing number of schools. Without it, the quality of Aspire schools may decrease or become more variable, academic results could plateau or decline, and staff could burnout. Because organizational capability is so foundational to the strategy, building organizational capacity is the primary focus of Phase One. Aspire will mitigate this risk by: developing competencies across its core systems; expanding management, staff and Board; providing extensive professional development; and modifying the organizational structure for growth. [See Section 4 on Organization Requirements]

Maintaining consistently high quality

Exceptional academic results across the system are essential to the organization's success. This requires consistent execution of the education program. [See Section 3 for more information on the educational model] Failure to do so could lead to parent dissatisfaction, enrollment declines, pressure from the sponsoring district, and eventually financial problems. Aspire will maintain educational quality with:

- *Clearly Defined Performance Metrics:* All levels in the organization are held accountable for results on clearly defined metrics related to student achievement, parent satisfaction, teacher development, organizational effectiveness, and financial stability [See Section 7 and Appendix C).
- *Management through Data:* Student achievement data from a variety of assessments are used regularly to refine teaching and evaluate teachers and principals. (The use of data for individual students and teachers is very rare in public schools.)
- *Management by Walking Around:* Senior management is visibly present at sites, visiting classrooms and working with educators to provide on site support. The new regional structure will increase management's ability to monitor school site performance.

Managing the Facilities Portfolio

Lack of available and affordable facilities has always been, and will likely continue to be, the organization's greatest bottleneck to growth. Although the external environment has improved significantly since Aspire's inception, more changes are still required. As a result, much of Aspire's advocacy work in the near term will be focused on the facilities challenge. Without additional legislative progress, Aspire will need to be increasingly creative in locating and financing its new school facilities. [See Appendices E and F for more information on facilities and facilities financing]

Facilities Acquisition

Aspire uses a multi-pronged approach to facilities acquisition, including:

- Leasing old private or parochial schools: This is the preferred strategy for acquiring facilities. This approach requires relatively low (~$150K-300K) up-front investment in tenant improvements and provides a link to the community. An increasing number of parochial schools are financially unstable, and may seek to lease their facilities. Other charters frequently compete for the same available space.
- Leasing existing school sites from sponsoring districts (potentially under California's Proposition 39): This is potentially an attractive and reasonably low-cost approach. However, district officials often view Prop 39 requests as adversarial moves, potentially jeopardizing the relationship.

- Building prefabricated buildings (modulars) on leased or purchased land: This is an extremely expensive option that will only rarely be used by Aspire in the future. In many urban neighborhoods, there is no open land available anyway.
- Converting commercial, industrial, or retail use properties into schools: Upgrades for earthquake safety, Americans for Disability Act compliance, and modern fire code can make this approach as expensive as new construction. However, in urban in-fill areas, more properties of this type may be available.
- Partnering with higher education campuses, corporations and planned communities to build or share classroom buildings: This approach will probably be used infrequently because of the rarity of opportunities. Aspire has had conversations with several developers about this possibility, and none have come to fruition.

Facilities Financing

Aspire uses diverse mechanisms to finance new school buildings, including state bond funds via Proposition 47/55, local bond funds, and program-related investments from foundations. Aspire will manage its portfolio to bring the system-wide facility occupancy cost down to less than 12% of per pupil revenue.

Managing District Relationships, including Chartering

Aspire's success also depends upon its ability to manage district relationships effectively. Failure to do so could jeopardize the organization's ability to acquire and renew its charters with sponsoring agencies, resulting in instability for individual schools. Adversarial district relationships can also be damaging for Aspire schools when the schools rely on local districts for services that Aspire cannot efficiently provide, such as food service and transportation. Equally important, meaningful and productive district relationships will be critical to the organization's efficacy as a change agent.

Aspire maintains positive relationships with its local school districts primarily by taking a forthright and collaborative approach. Aspire gives the local district "first right of refusal" for any new charter school, manages the charter petition process in a way that is respectful of the district's internal political dynamics, and attempts to work with the district to ensure that the new school meets some needs of the district. For example, to the extent possible, Aspire will try to locate a new school in the neighborhoods that are most overcrowded or high-need from the district's perspective. As a former district superintendent, Aspire's CEO is particularly effective in developing constructive relationships with district superintendents, and encouraging districts to embrace charters.

If a district does not wish to work with Aspire, Aspire can also secure charters from the County Office of Education. COEs are petitioned when the local district declines the charter, either formally or informally. Aspire may also present a charter to a COE if a planned school's enrollment is expected to draw from multiple districts. In addition, the State Board of Education has charter-granting authority, and has already exercised it in a few cases. The State Board would likely grant Aspire a charter based on its existing track record. Aspire expects to present a multi-site, multi-county charter petition to the State Board within the next few years, to enhance its growth flexibility.

To maintain Aspire services from districts, and to maximize Aspire's efficacy as a district change agent, the organization closely manages the relationship with local districts at all levels, from Board and Superintendent to district accountants to local site principals and teachers.

Human Resource Management

Aspire's ability to foster effective educators is crucial: the education program requires bright, highly skilled, creative, and dedicated educators to create powerful, high-quality personalized learning experiences. Accordingly, Aspire has created a system to attract, select, develop, inspire, and reward the best educators. Aspire tends to attract educators interested in working in more accountable, innovative, collaborative environments through self-selection. In addition, Aspire uses both more personal methods of recruiting (e.g. relationships, word-of-mouth, and presentations) and standard print methods of teacher recruitment (i.e. classified advertisements, Internet postings, and job announcements through local credentialing programs). Aspire uses a rigorous multiple-stage approach to selection that includes: a resume screen; interview with a site hiring committee (comprised of Aspire principal, teachers, and parents); writing sample; demonstration lesson with students; and reference checks. Criteria for selection are based on those used by the National Board for Professional Teaching Standards. Once teachers are hired, Aspire invests deeply in developing those individuals, including: 3 weeks of summer training; several school-year workshops; coaching by the school principal, instructional coaches, and lead teachers; and access to external training. Compensation for Aspire teachers is competitive with local school districts, and pay increases are based on multiple measures of performance, including student growth, parent/student satisfaction, and principal evaluations based on criteria set by the National Board for Professional Teaching Standards. Benefits are better than those offered by most school districts. As a rapidly growing organization, Aspire provides a faster career path for educators with aspirations for professional advancement.

Aspire's school site principals are the lynchpin of the organization, and attracting and developing outstanding site leadership is a top priority. Potential principals, like teachers, tend to be attracted to Aspire because of its organizational mission, educational approach, and top-notch team. Aspire's senior management team members, including the CEO, personally interview all potential principals extensively. Once hired, principals receive one-on-one coaching on an on-going basis by Aspire's experienced school and business executives. Aspire is also creating a more formal training curriculum. Incoming principals are compensated at a base salary that is competitive with local school districts. Principal pay raises are determined based on performance—specifically, a combination of student academic growth, parent/student feedback, and management evaluation. Most of Aspire's principals are experienced former public school administrators. Aspire has also established a partnership with New Leaders for New Schools, a not-for-profit organization that develops new school principals. As the organization grows, Aspire is committed to growing new leaders from within.

Securing government funding

Because of California's low per pupil funding level, self-sustainability of each individual school site is dependent on Aspire's ability to access all available state and federal funding sources. Many of these categorical funding programs have onerous and confusing administration requirements; categorical funds and their regulations change often. Furthermore, there is always a risk that a key funding source (for example, SB 740 for lease aid) may be discontinued in any given budget year. Aspire will mitigate these risks by developing the ability to identify and secure all funding programs that its students are eligible for; this requires sufficient staffing, staff training, relationships with key information sources (e.g. School Services of California), and relationships with finance staff in sponsoring districts. Aspire will also undertake advocacy work to preserve important funding sources and flexibility as needed.

Securing philanthropic funding

Executing its growth strategy will require Aspire to continue to be successful securing gifts and grants to cover new school start up costs and home office and regional office operating deficits until the sustainability point is reached. [See Financial Projections for more information on sustainability] While the philanthropic funding environment is as challenging as ever, Aspire has developed strong relationships with several major foundations whose objectives are closely aligned with Aspire's mission. Aspire plans to stage its growth in a way that involves major investors in evaluating progress and updating the strategy. Aspire also expects to reach out to national foundations, who have largely not yet been tapped by the charter movement.

All Aspire schools must demonstrate superior student achievement while maintaining financial sustainability. Aspire has designed the seven elements of its education model to ensure consistently high quality across the system. Aspire has defined three prototypes - "unit models" – in which the education design can be implemented in a financially sustainable way.

ASPIRE EDUCATIONAL MODEL

An Aspire education is designed to provide students with access to opportunities and tools to succeed in higher education, work, and citizenship. Through personalized learning experiences, students learn and master skills needed for the rigorous work of post-secondary life. To maintain consistent and high quality results, Aspire tracks school performance and outcomes with a Balanced Scorecard [see Section 7 and Appendix C for more information on metrics].

Aspire's education design has seven core elements, each aligned with the others:
1) High standards and clear learning objectives
2) A sense of community
3) More time for learning
4) A balanced curriculum
5) A variety of teaching methods
6) Rigorous and ongoing assessment
7) Extra support for students as needed

1. High Standards and Clear Learning Goals
To establish a foundation for success, Aspire students will learn and master:
- *Basic Skills:* Students will master at least grade level competency in the four core subjects: mathematics, science, social studies, and language arts (including reading, writing, listening and speaking);
- *Thinking Skills:* Students will be able to apply classroom learning to their real world experiences in a relevant and valuable way, using higher-order thinking skills (including critical thinking, creativity, decision-making, problem solving, reasoning, knowing how to learn);
- *Life Skills:* Students will demonstrate development of personal qualities of individual responsibility, intellectual curiosity, sociability, self-management, confidence, and integrity.[20]

Aspire sets high standards for all students[21] and each student has a Personal Learning Plan (PLP) – developed in collaboration with his/her teacher and parent(s) – that outlines the student's specific learning goals each semester. Aspire's secondary courses also conform to the University of California/California State University (UC/CSU) system A-G requirements.

2. A Sense of Community

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[20] Based on important workplace skills as determined by the U.S. Department of Labor Secretary's Commission on Achieving Necessary Skills (SCANS), *Learning a Living: A Blueprint for High Performance.* April 1992.
[21] Standards are based on: California State Content Standards, Newman's Standards for Authentic Instruction and Assessment, and Secretary's Commission on Achieving Necessary Skills (SCANS)

Aspire's **small schools** and its small, multi-age classes create an intimate community in which each student is known personally.

- *Small Schools:* Aspire elementary schools will have no more than 410 grade K-5 students, and its secondary schools will have less than 450 grade 6-13 students.[22]
- *Small Class Sizes:* Aspire maintains a 20:1 student-teacher ratio in kindergarten through third grade, a 28:1 ratio in grades four and five, and 29:1 ratio in grades six through twelve. In addition, students at the secondary level will spend part of each day in seminars with a student-teacher ratio of 15:1.
- *Multi-Grade Classes:* Aspire uses multi-grade classes that offer opportunities for teachers to spend more time working with students they know.
- *Advisory Groups:* Beginning in the 6th grade, each student is assigned to an advisory group of no more than 15 students that meets daily with an adult advisor. The advisor acts as a bridge between the school and the students' other communities (e.g. family, work, clubs, social service agencies). The same group stays together until graduation, and provides a support structure for students.

Children learn best when **parents are engaged** in their education. Aspire uses a variety of methods to help parents and guardians become coaches for their children, and to increase their participation in all aspects of school life.

- *School-Family-Student Compact:* The teacher, parent(s), and student all sign a compact during a three-way conference at the beginning of the school year. The compact outlines the rights and responsibilities of each stakeholder, and affirms the three parties' mutual accountability for student success, staff development, and parent satisfaction.
- *Special Saturday Classes:* Scheduled at the beginning of the year, these mandatory half-day sessions enable parents to attend school with their children and understand students' learning at a deeper level.
- *Guidance About At-home Support:* Aspire offers coaching to parents on reading at home (20+ min per day), providing the right level of help with homework, participating in projects, and playing games that reinforce learning.
- *Participation in School Decision-making:* In addition to roles in the school's parent organization, Aspire includes two parent representatives on the Advisory School Council (described below) and parents participate on the school's Teacher Hiring Committee.

Aspire's commitment to parents is further demonstrated in the formal *Guarantee to Parents.* At any Aspire campus, parents can expect:

- A demonstrated improvement in their child's academic performance;
- An open invitation to attend their child's classes;
- Easy, open communication with their child's teacher via voice mail and email;
- The opportunity to rate the performance of teachers and the school annually; and
- Eligibility to serve on the school's governing body, the Advisory School Council.

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[22] Although researchers have documented the positive effects of small schools, they are relatively uncommon in California: at the elementary level, only 5% of California students were in small schools of less than 350 students, versus 17% nationally.

Participation in **school governance** can help build a strong sense of community. Aspire encourages all stakeholders to participate in and take responsibility for the educational process, and its results, to maintain a sense of community. Each school has an Advisory School Council (ASC), which holds the school accountable for the performance of its students. The Council also serves as the school's expulsion board, conducts the lottery if enrollment exceeds capacity, addresses school safety issues, reviews parental concerns, and sets policies that are unique to the school. The ASC consists of the principal, two teachers, two parents, one member of the chartering district's Board, and one community member at large.

3. More Time for Learning

Aspire provides 15% more learning time for students, and uses time effectively during the year and the day to maximize in-depth learning.

- *Longer School Day:* Aspire students receive about one hour more instruction each day than students in traditional public schools. Aspire schools have, on average, a seven-and-a-half hour school day for grades 1-12, and five-hour school day for kindergarten.
- *Longer School Year:* Aspire schools provide 190 days of instruction, ten days more than traditional public schools. 3-5 of these additional days are on Saturday, when parents can attend class with their children.
- *Modified Traditional Calendar:* When possible, Aspire schools use a modified traditional calendar (trimesters with shorter summer recess) to decrease the loss of learning during extended recesses.
- *Intersessions:* Intersessions are 1-2 week periods of deep exploration in a single topic. Aspire secondary students will have 3-4 intersessions during the year, including at least one on a topic chosen by individual students according to their own interests.
- *Block Scheduling:* The daily schedule at Aspire's secondary schools is organized around blocks of 90-120 minutes. Students can delve more deeply into subjects with these extended periods of time, and teachers can work together to integrate the curriculum more seamlessly.

4. A Balanced Curriculum

Aspire uses a combination of adopted programs and elements developed in-house to build basic skills, higher-order thinking skills, and life-skills. The curriculum is based on California state standards. Teachers have flexibility to use a variety of texts and materials depending on the needs of their students. The curriculum is clearly articulated as a K-12 system and includes language arts, mathematics, science, social science, and Spanish. Other subjects essential to a healthy and balanced life are also covered through classes in visual and performing arts, health and nutrition, and physical education.

5. A Variety of Teaching Methods

Aspire educators use the organization's Instructional Guidelines, which describe a variety of pedagogical strategies and guides educators in employing the strategies most effective for the subject matter and for individual students. Instructional Guidelines are not a script, and good implementation of Aspire's program requires highly skilled teachers. CD-ROMs of best practices, observations and model lessons by instructional coaches, visits to Aspire Model Classrooms, and coaching by the school principal all support individual teachers in implementing the Instructional Guidelines effectively.

Broadly, the Instructional Guidelines require use of a variety of pedagogical strategies, including:

- *Explicit Instruction:* provides students a traditional form of teaching wherein the teacher presents the lesson and students individually demonstrate their new skills or knowledge.
- *Massed and Distributed Practice:* gives students multiple opportunities over the course of the year to use and practice previously learned skills and knowledge. This increases students' retention of the newly learned material.
- *Problem Solving:* gives students a step-by-step process for determining a solution.
- *Inquiry:* presents students with a problem or question, around which they formulate and test theories to work towards a solution.
- *Project-based Instruction:* offers students the opportunity to apply learning to complex problems; students are required to conduct extended research, analyze and synthesize information across subject areas, and develop written and oral end products.
- *Apprenticeship:* at the secondary level, students spend part of their time working in the community for local organizations, applying their learning to work alongside professionals.
- *Distance Learning:* Students in 11th, 12th, and 13th grade may elect to take some specialized coursework on-line, through colleges and universities.

Technology is used as a tool for research, communication, and production. Each classroom in grades K-6 has three to five computers with Internet access, students in grades 7-10 have access to movable laptop carts, banks of computers throughout the school and a computer lab. Students exercise their higher-order thinking skills through simulations and presentations, their communication and production skills through electronic mail and publishing, and their research skills through use of electronic references, including the Internet.

6. Rigorous and Ongoing Assessment
Assessment allows Aspire to observe individual student progress, determine the efficacy of individual teachers, and evaluate the success of the program as a whole. Multiple assessments are used because no single assessment provides sufficient information on students' learning in the three outcomes (basic skills, thinking skills, life skills). Students are assessed through local district and nationally recognized tests (e.g. High School Exit Exam, SAT, Durrell Oral Reading, Berkeley Readiness Test, Advanced Placement tests), day-to-day assessments (e.g. quizzes, unit tests), qualitative observations of the process of learning (e.g. teachers' anecdotal notes, student reflection logs, internship mentor reports), and examination of final products including an interdisciplinary final project, the Rites of Passage (ROPES) project.

7. Extra Support for Students as needed
Aspire employs a variety of "safety net" strategies to provide extra support for students who are below grade level. This can include before/after school tutoring, work with a literacy specialist, pull-out programs, and/or push-in programs.

To meet the needs of English Language Learners, Aspire uses a number of bilingual teaching strategies in addition to its core repertoire, including: building on students' culture, language, and experiences; teaching the second language through content; allowing community language; and using computers and peer tutors to enhance language skills.

Aspire supports all special education students in compliance with state and federal laws. Students who perform below the school-determined acceptable level are required to participate in the school's tutoring program either before or after school until grade level is met. No student is denied

admission to an Aspire charter school because s/he is in need of special educational services. Currently, Aspire works with individual school districts to provide needed services and mange the financial special education encroachment.[23] In the long run, Aspire may form its own SELPA (Special Education Local Planning Area), which will allow the organization to provide its schools with special education services, independent of a school district office or location.

ASPIRE SCHOOL PROTOTYPES

Aspire has three unit models: two elementary and one secondary. All three unit models, described below, are financially sustainable at steady state. (See Appendix F for assumptions and financials for each unit model.)

Characteristics of school prototypes

	Basic Elementary	**Small Elementary**	**Secondary Grades 6-13**

Enrollment	• 352 students
	  - 60 per grade in K-3
	  - 56 per grade in 4-5
		• 196 students
		  - 140 combined K-3 (per grade varies)
		  - 56 combined 4-5
			• 435 students; 406 for grades 6-12
			  - Open with 232 students in grades 6-9; scale up over 5 years
			  - 58 students per grades 6-12; 29 in grade 13

Student: teacher ratio or caseload	• 20:1 for K-3 • 28:1 for 4-5	• 20:1 for K-3 • 28:1 for 4-5	• 58:1 Humanities • 116:1 Math, Science, Spanish • 145:1 P.E., Art
Non-teaching staff	• 16 core teachers • 2 P.E./Music teachers • 9 other positions (including Principal, Literacy Specialist, playground supervisors)	• 9 core teachers • 1 P.E./Music teacher • 6 other positions (two fewer playground supervisors and one less office assistant compared to basic elementary model)	• 15 core teachers • 5 P.E./Music teachers • 12 other positions (including additional internship coordinator/ advisor for Grade 13 students) • Grade 6-12 school will have one less internship coordinator

Basic elementary school
The typical Aspire elementary school enrolls 352 students, with 60 students in each of the grades K-3 (three classes of 20 students per grade) and 56 students in each of the grades 4-5 (two classes of 28 students per grade).[24] Aspire's University Public School in Stockton is an example of a basic elementary school. Depending on the available facility and the need of the community, Aspire may deviate from this prototype, as long as the changes do not jeopardize program quality and financial sustainability. For example, Aspire may enroll up to 410 students in its elementary schools, and some schools may include grades K-8.

Small elementary school
The small elementary school prototype is typically used when an inexpensive parochial school facility is available for lease that does not have sufficient classroom space for a full Aspire

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[23] Serving Special Education students is a state and federal requirement that typically costs more than the government provides; as such, it encroaches on a district's or school's general funds.
[24] Aspire currently operates five elementary schools with 350-375 students enrolled in schools with grades K-5 or K-8.

elementary model.[25] The small school prototype will enroll 196 students, with 140 students combined for grades K-3 (20 students per class) and 56 students combined for grades 4-5 (two classes of 28 students per grade). Enrollment may be adjusted up depending on the facility, but a school smaller than 160 would likely be economically unfeasible. Aspire's Capitol Heights Academy in Sacramento is an example of a small elementary school.

Secondary school model

Aspire's secondary school prototype is still a work in progress. Aspire expects that the typical secondary school will enroll 435 students, including 58 students per grade in grades 6-12, and 29 students in grade 13.[26] Schools will open serving grades 6-9, and scale up over a 5 year period before reaching full enrollment. Enrollment may be adjusted slightly depending on the facility and community demand, if such changes can be made without compromising program quality or financial sustainability. At steady state, Lionel Wilson College Preparatory Academy in Oakland is expected to be a typical Aspire secondary school.

Aspire is in the process of augmenting the Early College Experiences component of its secondary design. Aspire secondary schools already provide some on-line college courses as well as access to community college courses at the college campus both during the school year and summer. The full complement of early college experiences would entail the use of local college faculty and facilities during intersessions, partnership with local colleges to bring college coursework to the Aspire campus, and addition of a 13th grade to expand time for supervised early college experiences. Educationally, these extensions of the Aspire secondary model will provide students with more opportunities for deeper exploration of topics, mentoring, and personalized learning; they should improve student achievement and preparation for college.[27] Financially, the Grade 13 program and other programmatic collaboration with local colleges will improve the economics of Aspire's small secondary design (or at least maintain the economics while expanding educational opportunities). In the long-run, each Aspire secondary school may have a different programmatic mix of these early college experience options, depending on their community and student needs.

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[25] Aspire currently operates two smaller elementary schools with 164-224 students enrolled in schools with grades K-8 and K-6 respectively.

[26] Aspire currently operates three secondary schools, each with 240 to 390 students enrolled.

[27] The model assumes that 50% of the 12th grade class will graduate and 29 students will continue as 13th graders.

Aspire believes that successfully executing its growth plan requires strong governance and savvy management. As the organization grows, it will be even more important to continue hiring the right staff, to redesign the organization structure to support growth, to formalize its core processes for consistency across the organization, and to continue building a culture of performance.

GOVERNANCE

The Aspire Board of Directors consists of up to 11 members, plus members designated by the organization's chartering districts.[28] An Executive Committee meets more frequently, and has the authority to act on behalf of the Board; a Finance Committee and Governance Committee meet as needed and provide recommendations to the Board. The Board of Directors is responsible for establishing broad policies that affect all Aspire public schools, advocating Aspire's mission, and providing strategic guidance to the organization. The Aspire Board of Directors includes:

Tom Changnon, Superintendent, Keyes Union School District[29]
Tom Changnon has spent his career in education. For the past four years, he has been Superintendent of Keyes Union School District in California's Central Valley. Mr. Changnon firmly believes in providing families with viable educational options and is a strong supporter of the charter movement; he was instrumental in opening the Keyes To Learning Charter School in Keyes eight years ago. Mr. Changnon has also has served as Assistant Principal, Associate Principal, Principal, and Assistant Superintendent, developing expertise in all aspects of school operations. He has served on ACSA's State Charter Committee and is affiliated with Association of California School Administrators, Phi Delta Kappa, Association of Professional Baseball Players, and Northern California Scouts Association. He has presented at numerous workshops and conferences, including the California School Boards Association Conference, and the National Charter School Conference. (Denver). Mr. Changnon received his B.A. in History from Stanford University. He holds a Master's Degree in Education in addition to a Master's Degree in School Administration from University of San Francisco.

Linda Darling-Hammond, Professor, Stanford University School of Education
Linda Darling-Hammond is the Charles E. Ducommun Professor of Teaching and Teacher Education at Stanford University, where she works closely with the Stanford Teacher Education Program (STEP) and teaches courses on teaching and teacher education as well as education policy. Previously, she was William F. Russell Professor in the Foundations of Education at Teachers College, Columbia University, co-director of the National Center for Restructuring Education, Schools and Teaching, and executive director of the National Commission on Teaching and America's Future. She began her career as a public school teacher and was co-founder of a preschool and day care center. She has also worked as senior social scientist and director of the RAND Corporation's Education and Human Resources Program. Dr. Darling-Hammond earned

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[28] Although all sponsoring districts are given the opportunity to designate a representative to Aspire's Board, not all districts do so.
[29] Chartering District for University Charter School and Summit Charter Academy

her undergraduate degree from Yale in 1973 and her doctorate in urban education from Temple University in 1978.

Dr. Darling-Hammond's research focuses on issues of school restructuring, teacher education reform and the enhancement of educational equity. She is the author of seven books, including The Right to Learn: A Blueprint for School Reform; Professional Development Schools: Schools for Developing a Profession; A License to Teach: Building a Profession for 21st Century Schools; and Authentic Assessment in Action.

Sareena Ghulati, Partner, New Schools Venture Fund
Sareena Ghulati is Partner at the NewSchools Venture Fund. She brings extensive operating experience with multi-site educational services and hence devotes significant energy to working with NewSchools' portfolio of charter management organizations as they grow to scale. Prior to joining NewSchools, Ms. Ghulati was Senior Vice President of Operations at *SCORE!* Educational Centers, a nationwide chain of for-profit after school learning centers for kids 4-14. As the number two at *SCORE!*, overseeing all of operations, she was responsible for managing the financial performance of the company's 150 centers. This involved managing new enrollments, customer service and retention, employee development and operational expenses. Before running *SCORE!* centers, Ms. Ghulati spent 18 months managing the company's Recruiting and Professional Development departments. She began her career as a management consultant with Monitor Company in Toronto, Canada. Ms. Ghulati received her bachelor's degree in Commerce from Queen's University in Kingston, Ontario, and she has an MBA and MA in Education from Stanford University.

Bill Hughson, Independent Consultant
Bill Hughson is an independent consultant providing strategic, financial and operational consulting to companies in the healthcare, corporate, and technology start-up companies. Prior to that, he demonstrated extraordinary results leading high-growth multi-site retail companies. As President of A.G. Ferrari Foods, he doubled the size of the organization in 2 years, realigned the company's strategy, improved retail sales per square foot by 25%, implemented new technology systems, and raised $10 million in 3 series of preferred stock options. Prior to that, he grew Noah's Bagel Company from 1 store to 39 stores, creating $75 million in shareholder value in under 4 years. Mr. Hughson has also been a management consultant with Bain & Company, and a financial analyst with Morgan Stanley. He has an undergraduate degree from Williams College, and an MBA from Stanford University.

Beth Hunkapiller, President, San Carlos School District Board of Trustees
Beth Hunkapiller has been an educator all her life. Currently, she is president of the San Carlos Board of Education. She has worked as a middle school teacher and administrator in the Mountain View School District in El Monte, CA, and in a parent cooperative nursery school. She has also worked at the Los Angeles Times. Ms. Hunkapiller graduated from Oklahoma Baptist University where she majored in political science and English. She received her masters from USC in 1977.

Bill Huyett, Superintendent, Lodi Unified School District[30]
Bill has been an educator and administrator for the past 20 years. Since July 2000, he has been Superintendent of Lodi Unified School District in San Joaquin County, California. Previously, he

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[30] Chartering District for University Public School, River Oaks Charter Academy, and Benjamin Holt College Preparatory Academy

was superintendent of Dixon Unified School District; he has also served as Assistant Superintendent for Secondary Education, and principal at the middle and high school levels. Mr. Huyett began his career as a math/physics teacher. He has been President of the Elk Grove Administrators Association, Director of ACSA (Association of California School Administrators) Region III, a National Workshop Presenter for Association for Supervision and Curriculum Development on Restructuring the High School, Chair of the Curriculum Committee for the California High School Task Force "Second to None." Mr. Huyett graduated with Distinction with a B.S. in Mechanical Engineering from the University of Virginia, and received his Administrative Credential from California State University, Sacramento.

Melvin J. Kaplan, Chief Executive Officer, Wellington Financial Group

Mel Kaplan has been a real estate investor since 1960. He is CEO of Wellington Financial Group, an entity that invests in commercial real estate nationally. In 1988, the Kaplan family founded the Harry Singer Foundation, a nonprofit educational operating foundation dedicated to youth development. He serves on Harry Singer's Board and advises various other 501 c (3) corporations. Mr. Kaplan is an alumnus of Massachusetts Institute of Technology and University of California at Berkeley; he has also lectured at the Haas School of Business Administration. His specialty continues to be problem-solving and entrepreneurship. His biography has appeared in Marquis Who's Who In Finance and Industry and Who's Who In The World.

Michael Machado, California Senator District 5

Michael J. Machado represents California's Fifth Senate District, which includes San Joaquin County and the southeastern section of Sacramento County. He currently chairs the Senate Committee on Banking, Commerce, and International Trade, as well as the Select Committee on Delta Resources and Development. He also serves on the Senate Local Government, Governmental Organization, and Business and Professions Committees. Senator Machado previously represented the 17th Assembly District from 1994 to 2000. In the Legislature, he has distinguished himself as a pragmatic moderate who supports education reforms, sensible environmental regulations, and tax relief for California businesses and citizens. Prior to entering the Legislature, he served on the board of a major California food processor, and worked for the Agency for International Development in Eastern Europe and Russia assisting farmers with the transition from a closed to an open market economy. Senator Machado also served in the United States Navy during the Vietnam conflict. He graduated with a degree in economics from Stanford University, and earned his master's degree in agricultural economics from the University of California at Davis

Steven L. Merrill, Venture Capitalist

Steven Merrill has been active in venture capital investing since 1968, and most recently was a Partner with Benchmark Capital. He served as president of BankAmerica Capital, and in 1980 formed Merrill, Pickard, Anderson & Eyre (MPAE), a privately held venture capital partnership which managed $285 million in funds provided by 50 limited partners, including major corporations, pension funds, insurance companies, university endowments, and prominent families. Companies funded by MPAE include: America Online, Aspect Telecommunications, Cypress Semiconductor, Documentum, and Palm Computing. MPAE stopped making new investments in 1996, and the partners founded Benchmark Capital and Foundation Capital. Mr. Merrill is also a past president of the Western Association of Venture Capitalists and a past director of the National Venture Capital Association, and has been a director of numerous privately held companies. He was chairman of the Board of Trustees of Town School for Boys, a member of the Committee to Restore the San Francisco Opera House, and he is a past director of the Children's Health Council. Mr. Merrill

holds an MBA from the Wharton School of Finance and a BA in Sociology from Stanford University.

Steven Poizner, Candidate, California State Assembly
Steve Poizner is currently a candidate for the California State Assembly, a continuation of his commitment to public service. He and his wife Carol created the Poizner Family Foundation to help improve public education in low-income communities. Steve serves on the boards of several innovative nonprofit organizations, including EdVoice and New Schools Venture Fund. Steve also taught American Government to 12th grade students at Mount Pleasant High School in San Jose, where he received the "Rookie Teacher of the Year" award. Previously, Mr. Poizner was a White House Fellow, where he served under Dick Clarke, the President's Special Advisor on Cyber-Security, and worked with the USA Freedom Corps. Mr. Poizner's work at the White House resulted in the creation of a White House Task Force for Disadvantaged Youth, to better coordinate and enhance the effectiveness of 100+ federal programs, and the creation of Youth Achievement, a three-year, $300 million initiative to recruit and train mentors for more than one million disadvantaged youth. Mr. Poizner was the founder and President of SnapTrack, Inc., which created the GPS-based technology that allows police and emergency medical services to pinpoint the geographic location of cell phone users in emergencies. Mr. Poizner sold SnapTrack to Qualcomm Inc. in March 2000 for $1 billion. He was also the founder and CEO of Strategic Mapping, Inc., and served as a management consultant for the Boston Consulting Group. Mr. Poizner has been active in community service groups since 1980. As President of the Palo Alto Jaycees, he was deeply involved in bringing a lawsuit (ultimately decided by the U.S. Supreme Court) to open Jaycee membership to women. Mr. Poizner earned a B.S. degree in Electrical Engineering from the University of Texas, and an MBA degree from Stanford University with the distinction of "Arjay Miller Scholar." He has also earned a black belt in Shotokan karate.

Richard C. Spalding, Founder, Thomas Weisel Healthcare Venture Partners
In March of 2003, Dick Spalding co-founded Thomas Weisel Healthcare Venture Partners, where he focuses on life science investing. The fund has been initially capitalized at $120 million, and invests in both the medical technology and life science sectors. Mr. Spalding also co-founded the ABS Ventures Healthcare investment group in January 2000, again leading the firm's investments in life sciences. Prior to joining ABS Ventures, Mr. Spalding was a Chief Financial Officer of public and private companies, an investment banker with Alex Brown, and a co-founder of the Palo Alto office of Brobeck, Phleger & Harrison. For his entire career he has worked with growth companies, primarily in the health care area, on corporate partnerships, financings and operations. He is currently a director of 3D Systems, a public company, and CBCA, Inc. Mr. Spalding received a BA degree with honors from Harvard College and a J.D. with honors from Columbia Law School.

MANAGEMENT TEAM

Aspire's management team represents a mix of deep education experience, business expertise, and political savvy. This "hybrid" team has been and will continue to be crucial to Aspire's success as a high-growth organization in a rapidly changing industry.

Don Shalvey, Ed.D., President, Chief Executive Officer and Co-Founder

Don Shalvey is Aspire's visionary leader, who sets the direction for the organization and represents Aspire to its many constituents, including parents, investors, community members, district officials, policymakers, and partners. Dr. Shalvey has over 35 years of experience in public education, serving as superintendent, assistant superintendent, principal, classroom teacher, and counselor in all levels- primary, elementary, middle, and high schools, college and adult education. Prior to joining Aspire, Dr. Shalvey served as the Superintendent of the San Carlos School District in San Mateo County, a district of approximately 2,600 students and six elementary schools. Dr. Shalvey has also worked in the Merced School District, a rural district of approximately 11,000 students and in the Lodi District, a district of approximately 28,000 students that includes a portion of urban Stockton and 11 other smaller communities.

Under Dr. Shalvey's leadership, the San Carlos District sponsored the first charter school in California and began participation in the Bay Area School Reform Collaborative, the Hewlett-Annenberg Project and a federal Technology Challenge Grant. Dr. Shalvey also co-founded Californians for Public School Excellence, an organization that sponsored the California Charter School Initiative that led to the passage of the Charter Schools Act of 1998. Dr. Shalvey has been a member of the State Superintendent's Charter School Committee and serves on the Special Education Commission. Dr. Shalvey has also served as a speaker and consultant to educational programs, school-to-career initiatives, community organizations and businesses throughout the United States.

Dr. Shalvey earned a Doctorate of Education in Educational Leadership/Administration from the University of Southern California, a Masters of Education in Counseling and Guidance from Gonzaga University and a B.A. from LaSalle College.

Elise Darwish, Chief Academic Officer
Elise Darwish designed the Aspire education design and oversees its implementation. She supports principals, oversees research and development related to curriculum, instruction and assessment, and manages internal professional development programs. Ms. Darwish has an executive with Aspire since its founding and developed the Aspire education design. Ms. Darwish has worked in charter schools, traditional public schools and private schools for over 11 years. She has been a teacher, administrator and curriculum coordinator. Prior to Aspire, Ms. Darwish was the Instructional Coordinator at the San Carlos Charter Learning Center, California's first charter school. During her tenure, the school grew from 3 grades to a full K-8 program with an extensive waiting list, and became internationally recognized for its innovation. Ms. Darwish also coordinated instructional technology for San Carlos School District, managed Net Day, implemented a Local Area Network and Wide Area Network. Prior to her work at the SCCLC, Ms. Darwish was a mentor teacher and assistant principal. Ms. Darwish earned a Masters in Educational Administration at San Francisco State University and a B.S. at the University of Illinois in Early Childhood Education.

Gloria Lee, Chief Operating Officer
Gloria Lee oversees finance, human resources, facilities, operations, and communications at Aspire. She was part of the founding management team and developed Aspire's business plan. Ms. Lee has experience in business strategy, entrepreneurial ventures, and educational organizations. Ms. Lee was a consultant for McKinsey and Company, helping Fortune 500 companies address major strategic challenges. Ms. Lee also founded the UCLA School Management Program's Bay Area office; this university-based school reform support organization provided training and coaching to school principals and teachers in leadership and change management, to advance individual schools'

improvement efforts. Ms. Lee was responsible for all aspects of the satellite organization's operations, and also trained school principals in business skills. Ms. Lee has also developed business partnerships for Knight-Ridder News Media, and assisted in the start-up phases for an Edison school in San Francisco. Ms. Lee received both a Masters of Business Administration and Masters in Education at Stanford University and her B.S. in Applied Economics at Cornell University.

Linda Frost, Vice-President - Central Valley
Linda Frost oversees several of Aspire's schools. She has over 30 years experience in education in California. Most recently, she was Executive Director of San Carlos High School, a new charter school in San Mateo County. Prior to that, she was superintendent at Summerville Union High School District in Tuolumne County. During her tenure there, she was honored as a Fellow in the Annenberg Superintendents Program for innovative educational leaders. She was principal of East Side Union High School in Manteca for 7 years, and in 1996, she received the California Secondary Principal of the Year award. Ms. Frost has been an instructor in the University of LaVerne's Administrative Credentialing program, a Commissioner for California's Advisory Board on Charter Schools, and a panel member for the California Commission for Teacher Credentialing. She started her career as a teacher at Saratoga High School in the Los Gatos High School District. Ms. Frost received her BA in Speech Communication at San Jose State University, and her Masters in Education Administration at Chapman University.

Mike Barr, Vice-President of Finance
Mike Barr manages all of Aspire's finance, accounting, and treasury functions. Mr. Barr has over 20 years experience of progressively senior positions in finance. Most recently, he was Vice President of Finance and Administration for Nightfire Software, a venture-backed telecommunications software company. Prior to that, he was Controller for Scient Corporation, where he established all finance and accounting policies and procedures as the company grew from $0 to $400 million in revenues and from 40 to over 1,900 employees, and led the company's IPO and secondary offering in 1999. He has also served as Business Unit Controller at Electronic Data Systems. Mr. Barr is a Certified Management Accountant and received his B.S. in Financial Planning and Analysis from Oregon State University.

Charles Robitaille, Director of Real Estate
Charles Robitaille oversees acquisition, development, and management of all Aspire facilities. Mr. Robitaille has over 30 years experience in real estate. During his career, he has acquired over $50 million in land for residential and commercial development, developed over $350 million of office buildings, retail space, and multi-family buildings and managed over 500,000 square feet of commercial property and 3,000 residential units. Most recently, he was Vice President for Development at Landmark Healthcare Facilities, where he generated leads for new projects and supervised construction and leasing of new and remodeled medical office space. Previously, Mr. Robitaille was Vice President at Pacific Medical Buildings, where he developed medical office buildings (including obtaining governmental entitlements and securing construction and permanent financing), and leased and managed medical office space. He has also started a property management company with over 50 development and property management employees, and worked in real estate lending. Mr. Robitaille received his B.A. from St. Anselmo College and is a licensed California Real Estate Broker.

Tom Peraic, Legal Counsel

Tom Peraic advises the organization on legal issues and oversees risk management. Most recently, he was an attorney with Murphy, Pearson, Bradley & Feeney in San Francisco, a mid-sized statewide insurance defense law firm, where he acquired broad-based knowledge in a variety of legal fields. He has also served "Of Counsel" at San Francisco firm Hallisey and Johnson, where he defended teachers and paraprofessionals affiliated with the California Teachers Association in education law matters. In addition, Mr. Peraic served as General Counsel for Tradius Corporation, a venture-backed bartering company, where he provided legal guidance for senior management in all aspects of law, including employment law, contracts, and intellectual property. He also serves on the Board of Directors of the Novato Charter School foundation, where his children are enrolled. Mr. Peraic received a B.A. in Political Science from University of California, Berkeley, and his Juris Doctorate from University of California, Hastings College for the Law.

Heather Kirkpatrick, Director of Secondary Education

Heather Kirkpatrick manages the development of Aspire's secondary schools design and supports middle/high school administrators and teachers. Prior to Aspire, Ms. Kirkpatrick was a researcher and teacher at Stanford University School of Education, where she conducted research on technology in K-12 education, acceleration in higher education, alternative high school governance models, community building and teacher learning, published articles on technology in education, and supervised student-teachers in their classrooms and through weekly seminars. Ms. Kirkpatrick also worked at a not-for-profit serving indigent adults with mental illnesses, and taught English for four years at Erasmus Hall, a public high school in Brooklyn, New York. She received her B.A. from Barnard College in New York, her Masters in Education from Harvard University, and her Ph.D. in Education Administration and Policy Analysis at the Stanford University School of Education.

Rick Johnson, Human Resources

Rick Johnson has more than twenty years of experience in the Human Resources field. Prior to joining Aspire, Mr. Johnson ran his own human resources consulting firm, HRbyRJ, where he worked on labor market analysis, designed recruitment strategies, and developing policies and procedures for small businesses and corporations. Prior to his consulting work, he was District Human Resources Manager with Ross Stores. At Ross, Mr. Johnson was responsible for 81 retail locations in the Western US. During his tenure, he also developed particular expertise in employee relations, California Labor Law, and ADA compliance. He began his career as an Assistant Store Manager with Weinstock's Department Stores in Sacramento, CA and has also held senior Human Resources management positions with Service Merchandise. Mr. Johnson has considerable experience as a speaker on Human Resources topics. He has been on World News Tonight with Peter Jennings, and spoken at the Equal Opportunity Department Affirmative Action Division Conference. Mr. Johnson holds a B.S. in Business Administration and an MBA from Chico State University in Chico, California. He is certified as a Senior Professional in Human Resources (SPHR) by the Human Resource Certification Institute, and is a member of the Northern California Human Resources Association.

ORGANIZATION STRUCTURE

As the organization grows and evolves, Aspire will shift towards a matrix organization with both regional and functional dimensions to balance the need for both consistency and local control. Under the new structure, the Home Office will set strategy and design core systems and processes,

as well as provide some services that are best managed centrally. The Regional Offices will provide local support for implementation.

Reporting relationships in the matrix
In this matrix organization, many Regional Office positions will have dual reporting responsibilities, both regional and functional. The Regional Vice Presidents will have primary responsibility for daily management, guidance, staff development and performance management. However, to maintain consistency and quality across regions, Home Office staff with functional expertise will work closely with these individuals and will provide input into performance evaluations.

Evolution towards the matrix organization
Aspire will migrate to a matrix organization over the course of several years. This will enable the organization to capitalize on the expertise that individuals have already developed, and pass on institutional knowledge in a more methodical way. It will also provide the opportunity to work through the natural challenges of dual reporting relationships. Pragmatically, it is also necessary because individual geographic regions will take time to build to full scale, and having Regional Offices and the Home Office share personnel will be more cost-effective.

Aspire Organization Structure
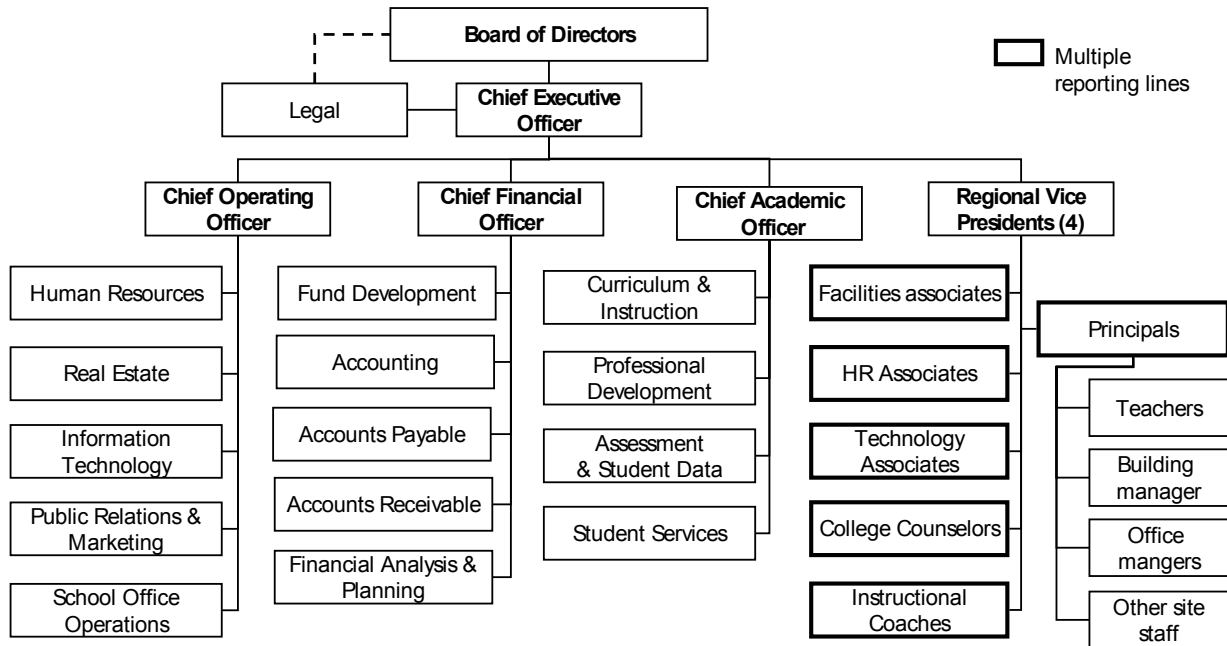
STAFFING PLAN

Aspire's staffing plan will augment the current core team with additional capacity to strengthen and plan expansion in Phase One, and to execute effectively in Phase Two and beyond. Most new hires will bring deep function-specific experience and expertise, in both education and business.
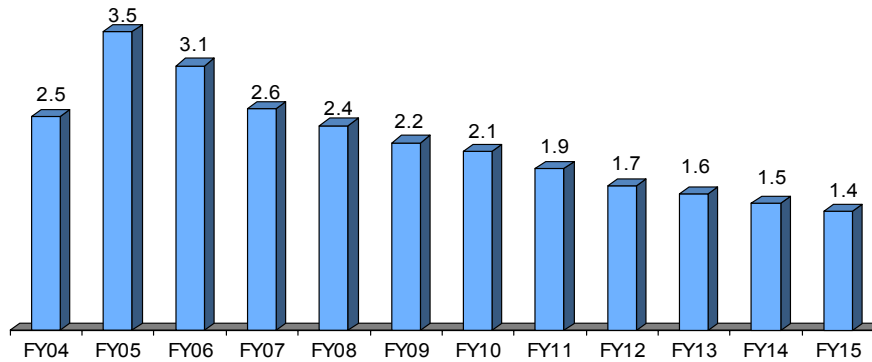
Key hires for Phase One include:

- Regional Vice-Presidents to oversee schools within a geographic area, including one for Southern California
- Director of Information Technology to design and implement a more comprehensive and cohesive strategy for leveraging technology effectively both in the classrooms and in the back office
- Director of Student Services to design and implement Aspire's strategy for increasing quality and decreasing cost of special education services
- Director of Professional Development to design and implement a more comprehensive system of training teachers, lead teachers, and principals

As Aspire shifts to a regional management structure, individuals within the current Home Office will shift to Regional Offices, and new functional hires (e.g. human resource generalists, instructional coaches, facilities associates, etc.) will be added as the number of schools increase in each cluster.

These staffing additions will result in an overall growth in non-school staff from 25 to 70 over the next 10 years. After an initial increase in the proportion of HO/RO staff per operating schools in preparation for high growth, the ratio of non-school staff per school will decline as functions become more specialized, efficiencies are attained, and number of new schools being planned becomes a smaller proportion of operating schools.

Home Office / Regional Office Staff Per School

FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
2.5	3.5	3.1	2.6	2.4	2.2	2.1	1.9	1.7	1.6	1.5	1.4

ASPIRE'S CORE PROCESSES

To ensure continued growth, consistent high quality, and impact, Aspire will need to manage six core processes successfully:
1) Quality management
2) New school startup
3) Site support
4) Financial and asset management
5) Fund development
6) Advocacy

1) Quality management

Effectively managing the quality of the education program to ensure consistently high academic results is essential. To do so, Aspire will use a variety of mechanisms and tools to collect and analyze performance data, maintain senior management presence at school sites, provide professional development to staff Aspire-wide, and conscientiously guide Aspire's culture. Aspire's Chief Academic Officer, supported by the Home Office education staff, is responsible for setting guidelines, developing management systems, and evaluating quality at all of Aspire's schools. The Regional Vice Presidents will be accountable for maintaining quality at all schools in their area, providing professional development for their principals, and for upholding Aspire's culture.

2) New school start up

By definition, growth for Aspire requires starting new schools. The school start-up process includes 1) building relationships with districts, the community, and key local agencies; 2) initializing systems and operations (including procedures and protocols) for the school; and 3) building a school community, including enrollment and recruiting. (Facility procurement and financing are addressed separately.) This process involves the CEO and Regional Vice Presidents developing relationships, business and education staff at the home office establishing systems and providing training, and principals building the school community.

3) Site support

Unlike stand-alone charters, Aspire schools benefit from being part of a charter management organization. The home and regional offices provide support in curriculum, instruction, assessment, finance, human resources, legal, and operations. Most home office and regional office staff are functional experts, who provide support to the schools in their particular area of expertise. For example, the controller supports principals in budget management, and the assessment analyst supports teachers in using student data to tailor student learning plans.

4) Financial and asset management

The business of opening and running schools is extremely capital-intensive. Financial and asset management includes developing and financing facilities, managing construction and contractor relationships, creating and monitoring budgets, managing accounts payable and receivable, and financial reporting. The finance team is responsible for this core process.

5) Fund Development

Grants and gifts are required cover Aspire's costs of growth. Fund development activities include managing investor relations, identifying philanthropic and governmental sources of funding, and administering grants received. In Phase One, the CEO will be responsible for this core process, with the support of a Development Associate/Grantwriter. Eventually, a Director of Development will work with the CEO and Regional VPs to build and manage a fund development strategy.

6) Advocacy

Effective advocacy creates a friendly environment for Aspire's schools; it is also fundamental to broader educational reform. Aspire's advocacy work encompasses building relationships with key legislators, influencing policy through personal relationships, and media outreach. The CEO will conduct advocacy with support from the management team and partner organizations such as EdVoice.

Functional areas

Aspire's home and regional offices will also need to develop functional expertise in areas that cut across the six core processes:

- Leadership: developing and refining organizational strategies, developing and inspiring staff, building internal and external relationships
- Finance: developing financial strategies, understanding not-for-profit and public school accounting, reporting financial information internally and externally, financing facilities
- Program: understanding and designing relevant educational principles and tools; coaching educators
- Human resources: aligning human resource practices and policies with organizational objectives; understanding payroll, benefits, and labor laws
- Legal: applying legal principles related to education and not-for-profits
- Technology: leveraging information technology to increase efficiency and efficacy, using media to communicate internally and externally, training diverse users in technology

CULTURE

Thoughtfully managing organizational culture is crucial to Aspire's success; service businesses rely upon the day-to-day, minute-by-minute judgment, skills, and attitude of individuals on the front lines. Developing a strong organizational culture, in which values are closely held and aligned with the ultimate vision, will enable Aspire to avoid slipping into the excessively regimented controls, policies and procedures that characterize ineffective bureaucracies.

Values

Aspire's core values are:

- *Collaboration:* Working collectively to accomplish more than what is possible alone
- *Ownership:* Individual and group accountability for results, actions and decisions
- *Quality:* Commitment to excellence and the discipline to continually improve
- *Customer Service:* Responsiveness to the needs of external and internal customers
- *Purposefulness:* Deliberate action, focused on the organization's goals and priorities

Activities

Many of the Aspire's systems and processes are designed to reinforce these values. For example, the process of setting academic performance targets at each school highlights the ideas of quality and purposefulness. The annual satisfaction survey of parents, students and staff reinforces the importance of customer service and increases stakeholders' sense of ownership. The "Cycle of Inquiry" process used throughout the year at each school to look at student data emphasizes collaboration and ownership for improving student performance. The practice of explaining why a policy exists underlines the notion of purposefulness. Aspire treats educators as professionals rather than factory workers on an intellectual assembly line – for example, by giving them business cards and a laptop – a practice that complements the notion of ownership.

Many artifacts of organizational culture will evolve organically as the organization grows; to the extent possible, Aspire's management team hopes to be thoughtful about establishing some rites, rituals and practices that signify and reinforce its cultural values. Management is creating a more deliberate and formalized orientation program for new staff and Board members to provide a more

well-rounded view of the organization's work and values. The Spirit of Aspire award will be given under extraordinary circumstances rather than as a mundane "employee of the month" award. Stories in the Aspire Wire (internal newsletter) will highlight examples of cultural values in action. The annual leadership retreat is an important occasion that enables principals, lead teachers, office managers, and home office functional managers to reconnect with the organization, its vision and its values.
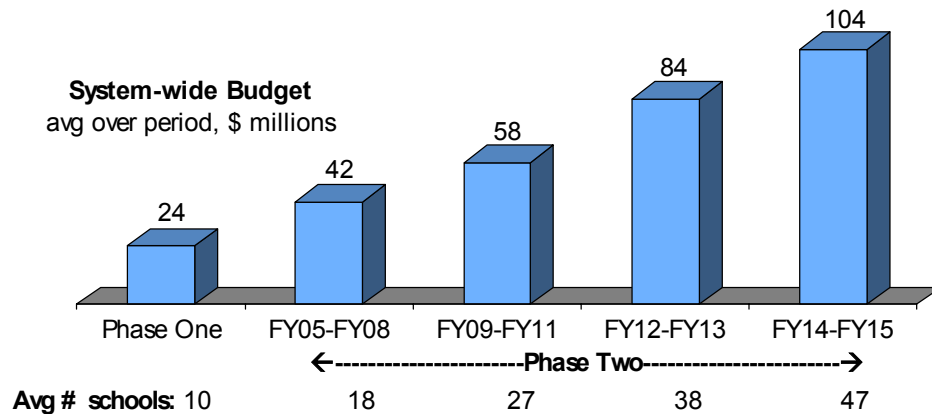
TOTAL FINANCIAL REQUIREMENTS

At 50 schools, Aspire's system-wide budget will be over $100 million, of which 94% will be for schools and 6% will be for home office and regional office budgets combined. [See Appendix G for 5-year pro formas)

FINANCIAL REQUIREMENTS BY PHASE

If Aspire is able to add schools at a fairly steady rate, as predicted, the overall system budget will grow significantly at each phase, as the number of operating schools increases. In its five-year growth plan (through FY2009), Aspire projects a system-wide operating budget that will grow from $24 million annually to over $50 million as it grows to 25 schools.

System-wide Budget
avg over period, $ millions

	Phase One	FY05-FY08	FY09-FY11	FY12-FY13	FY14-FY15
	24	42	58	84	104
		←----------------------Phase Two----------------------→			
Avg # schools:	10	18	27	38	47

EXISTING AND NEW SCHOOL FINANCIAL REQUIREMENTS

The budget for the ten Aspire schools open in 2003-2004 is approximately $20 million per year. By FY2009, with 25 schools in operation, Aspire expects the schools budget to be $51 million, which includes operating costs for all schools, start-up costs for schools opening in the following year, and scale-up costs for secondary schools not at full enrollment.

The total operating budget for new schools will vary depending on number and type (elementary vs. secondary) of new schools added and the facility costs. Operating budgets can range from $1.2 million for a small elementary school to $2.4 million for a secondary school, with personnel costs comprising about two-thirds of the budget and facilities occupancy costs comprising about 12% of the budget.

Start up budgets can range from $470K for a small elementary school leasing an existing parochial facility to $700K for an "average" secondary school to $3.0M for secondary school leasing requiring a program-related investment to finance an adaptive reuse building. Up-front facility costs can be significant; the non-facility start-up costs include furniture, computer equipment, planning principal

salary, teacher training stipends, and textbooks. Most of the start-up costs are incurred in the year prior to opening.

Secondary schools also have scale-up costs of over $1 million, incurred over the first four years of operations, because the school operates at a deficit before the school is at full scale. [See Appendix F for more information on school unit models].

HOME OFFICE FINANCIAL REQUIREMENTS

The Home Office budget (excluding revenues from the home office surcharge paid by schools) increases from $3.1M in FY04 to $4.0M in FY09. Personnel costs will continue to represent ~70% of the budget. The Home Office budget will plateau once regional offices are formed, as most new central support staff and management will be added in regional offices.

REGIONAL OFFICES FINANCIAL REQUIREMENTS

The regional offices budget will quadruple over the next five years as the number of schools grows. The FY04 budget for the regional offices includes both regional office staff yet to be hired, as well as home office personnel that perform regional office duties but are located at the home office since Aspire currently has no physical regional office space. During Phase One, Aspire will begin developing two regional offices: Los Angeles and Central Valley. In Phase Two, two regional offices will grow and an additional regional office in the Bay Area will be established. By FY09, the regional office budget will be $1.9 million. Personnel comprise approximately 90% of regional office costs. Regional offices are likely to be within Aspire school facilities to minimize facility costs.

Regional office budget ($M)
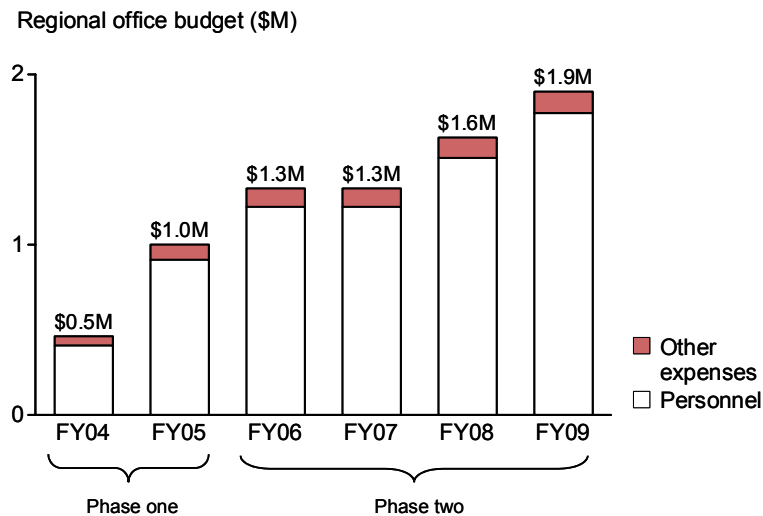
Combined, the Home and Regional Office budgets will grow from $3 million in FY04 to almost $6 million in FY09.

SUSTAINABILITY

Based on current growth plans, Aspire will reach the point of self-sustainability at 45 schools in 2014. At this point, the overhead charge to the schools (currently 7% of revenues) will be sufficient to cover the costs of the Home Office and Regional Offices, including both costs related to direct support of existing schools and costs related to growth. (Start-up and scale-up costs will always require a philanthropic investment.)

Home Office + Regional Office Sustainability

$21 million

45 schools

FY04   FY06   FY08   FY10   FY12   FY14
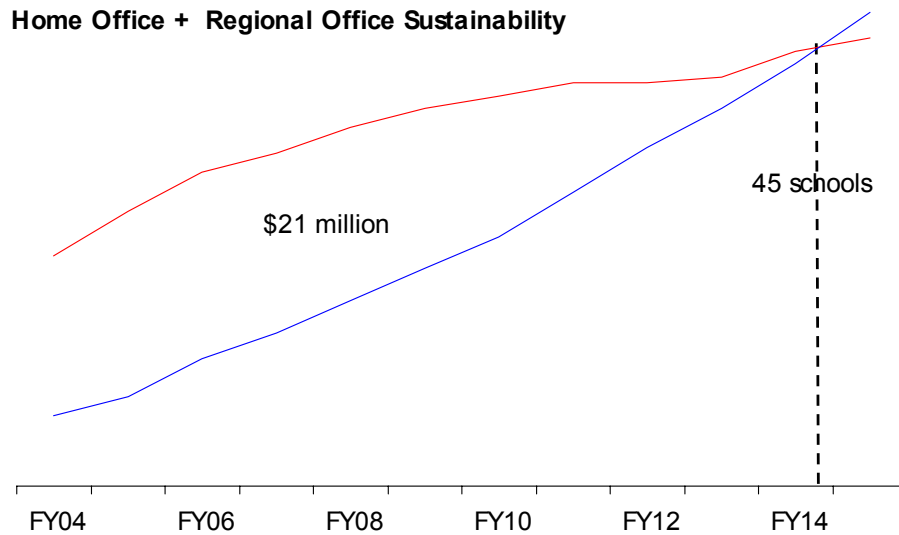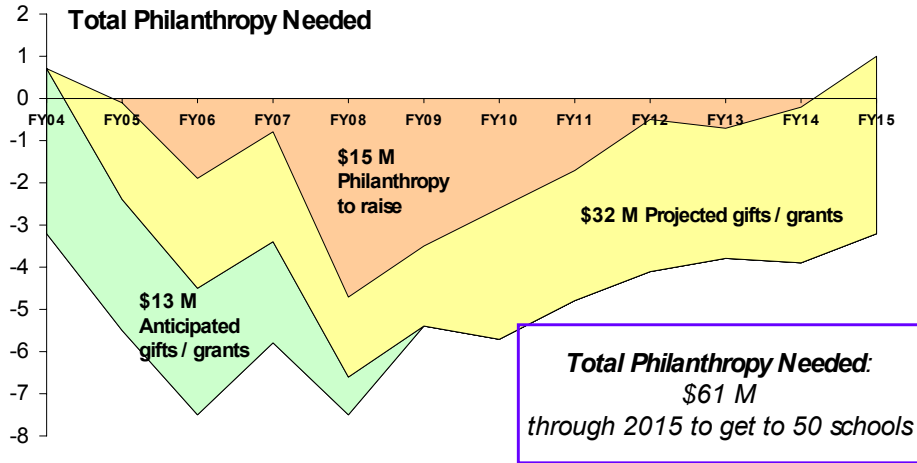
SOURCES OF FUNDS

Aspire relies on both government funds and outside philanthropy to build, operate, and support schools in its network.

Funding from federal, state, and local government is the most significant source of funding for Aspire. Government funding can fluctuate somewhat based on macroeconomic conditions and political decisions; however, government funding for public schools is considered relatively stable. At steady state, individual Aspire schools can be sustainable on government funds alone.

In addition to government revenues, Aspire uses philanthropy to cover the direct and indirect costs of growth, including new school startup costs and home/regional office support for new schools. Direct new school start up costs will always need to be covered with philanthropy, while indirect home/regional office growth costs will require philanthropy only until the system grows to 45 schools, its projected point of sustainability. Aspire seeks philanthropy that is aligned with its goals and values. Multi-year commitments are ideal because they increase organizational stability, enable longer-term planning, and free management to concentrate on core operating activities rather than fundraising. Based on historical giving and deep relationships with current investors, management anticipates that Aspire will continue to be successful in securing needed gifts for continued growth.

TOTAL PHILANTHROPY REQUIRED

Investments in Aspire today will help strengthen organizational capacity, create high performing schools in neighborhoods that most need them, and catalyze broader change in the California public education system. Aspire predicts that its system revenues will cover all operating costs at 45 schools, and that it will reach its impact goal of 50 schools in 2015. To reach these targets, Aspire will need a total of $61 million in philanthropy. The organization already has $13 million pledged, and projects that an additional $31 may be available through current funding relationships and federal grants, leaving an additional $17 million to be raised to get to 50 schools.

The chart shows "Total Philanthropy Needed" with y-axis from -8 to 2, x-axis from FY04 to FY15. Labels include "$13 M Anticipated gifts / grants", "$15 M Philanthropy to raise", "$32 M Projected gifts / grants", and a boxed note: "Total Philanthropy Needed: $61 M through 2015 to get to 50 schools"

PHILANTHROPY TARGETS BY PHASE AND CHECKPOINT

Aspire is poised for significant growth. Achieving its growth targets will require Aspire to meet milestones in order to secure pledged philanthropy, work with investors to extend funding relationships beyond the current commitments, and access new sources of philanthropic investment.

In Phase One (FY04-FY05), the funding gap is assumed to be covered by $1.7 million in anticipated philanthropy. This funding will cover the costs of expanding the management team, opening the Central Valley and Los Angeles regional offices, and starting four new elementary schools in Fall 2005.

In Phase Two, Aspire's annual fundraising need will decrease as the organization grows and nears its sustainability target of 45 schools and its impact target of 50 schools. A total of $35 million is needed over the next five years, including $11 million in new sources; this investment would enable to organization to grow to 25 schools.

Funding Targets by Phase and Checkpoint

	FY2008 22 schools	FY2011 32 schools	FY2013 40 schools	FY2015 50 schools
Total philanthropy required	$21 million	$16 million	$8 million	$7 million
Anticipated & projected philanthropy	$13 million	$8 million	$7 million	$7 million
Fundraising requirement	**$8 million**	**$8 million**	**$1 million**	**$0 million**

FUNDING TARGETS FOR STRATEGIC INITIATIVES

Included in the required philanthropy projections are the costs of Aspire's three strategic initiatives: expanding to Los Angeles, extending secondary, and reaching scale in East Palo Alto.

Los Angeles Initiative

Expanding to a full cluster of 11 schools in Los Angeles will require $9.8 million in philanthropy, which will likely be covered by pledges and funding from existing relationships. Total costs for the LA initiative are $19.8 million, including $10.5 million for new school start up, $8.3 million to establish and maintain the L.A. regional office; and $1.0M for home office staff to support these schools. The schools are expected to generate $10 million to cover the home/regional office charge. Funding has already been pledged by The Gates Foundation and The Stuart Foundation specifically for starting schools in Los Angeles.

Trying to reach 50 schools within Northern California would save $8.3 million in regional office costs, but risk losing $5.5 million in pledged philanthropy. Expanding to another region other than Los Angeles (e.g. Fresno) would likely require more philanthropy, as regional office costs would still be incurred, without the Los Angeles philanthropic base.

Secondary School Initiative

Opening 16 additional secondary schools by 2015 (rather than starting only elementary schools) will require $16.5 million in incremental philanthropy, to cover scale up costs and specialized home/regional office education program support. Most of the philanthropy is required during Phase Two; during phase one (FY04-FY05), only $0.2 million in incremental philanthropy is needed to cover secondary-specific home/regional office staff.

East Palo Alto Initiative

$5.3 million in philanthropy is required to cover startup and scale-up costs for two new schools in East Palo Alto, assuming additional funds may be required for one facility. Additional philanthropy may be required in case district relations become strained as a result of the perceived "competition;" the home office would incur additional legal and public relations costs.

Required philanthropy for strategic initiatives ($M)*	Phase one	Phase two	Total
Strategic initiative 1: Los Angeles (includes East Palo Alto and secondary schools)	$1.5	$8.3	$9.8
Strategic initiative 2: Secondary schools (includes secondary schools in L.A.)	$0.2	$16.3	$16.5
Strategic initiative 3: East Palo Alto (includes one elementary and one secondary)	$0.8	$4.5	$5.3

*Some philanthropy is already anticipated for these initiatives

IMPACT OF PACE ON FUND DEVELOPMENT

The pace of growth will directly affect both Aspire's impact and its financial sustainability. The funding gap of $17 million to build a system of 50 schools by 2015 assumes that Aspire adds 3-5 schools each year across the target geographies. Faster growth might decrease the total philanthropy needed, but would require those funds to be raised over a shorter time period; the need to spend more on facilities to overcome the shortage of available affordable facilities may also offset any savings. Slower growth would certainly increase the total philanthropy required, as it would increase the number of years before the self-sustainability point is reached.

EARLY SUSTAINABILITY

If the organization achieves its intended impact earlier than anticipated, or if the external environment changes significantly, Aspire may stop growing earlier than expected. Without growth, the organization can adjust home/regional office staffing and the overhead charge to schools to ensure that government revenues can cover operating costs. Below 25 schools, the adjustments required to be self-sustaining may adversely affect quality of school site support.

ADJUSTMENTS FOR EARLY SUSTAINABILITY	FY07-08 22 schools	FY10-11 32 schools	FY12-13 40 schools
Overhead charge	8.5%	8%	7%
Staff reduced	▪ Executive (2 FTE) ▪ Fundraising (1 FTE) ▪ Marketing/PR (1 FTE) ▪ Professional Development (1 FTE) ▪ Admin Assistants (2 FTE) ▪ Legal (1 FTE) ▪ Recruiting (1 FTE)	▪ Fundraising (1 FTE) ▪ Marketing/PR (1 FTE) ▪ Professional Development (1 FTE) ▪ Admin Assistants (2 FTE) ▪ Recruiting (1 FTE)	▪ Fundraising (1 FTE) ▪ Marketing/PR (1 FTE) ▪ Admin Assistants (1 FTE) ▪ Recruiting (1 FTE)
Other adjustments	No small elementary schools	No small elementary schools	N/A
Annual surplus at steady state	-$0.2 million	$0.7 million	$1.1 million

LEVERAGE

Philanthropic investments in Aspire are highly leveraged. During the first five years of a charter, every dollar donated to start an elementary school is matched with approximately $20 in government funding. Government funding is used to partially offset the home/regional office costs of supporting schools. Investments in home/regional offices help create an organization that can maximize school access to government funding sources.

Aspire's metrics serve two important purposes: to track progress towards the organization's direct impact and ultimate goal, and to measure and communicate success. Having measurable results is also crucial to Aspire's advocacy and district change efforts.

Aspire's revised Balanced Scorecard (BSC) tracks both *outcome metrics* that measure the direct results of Aspire's work towards its goals, and *impact metrics* that measure the long-term results Aspire hopes to see from its work. By mapping these metrics to its strategy, Aspire is able to test its assumptions, communicate its achievements, and engage important community members, decision makers and investors in its work.

In addition to the outcome and impact metrics, Aspire also uses internal metrics to track the effectiveness of its processes, staff, and activities. [See Appendix C for more details on Aspire's Balanced Scorecard]

MEASURING ASPIRE'S DIRECT IMPACT: THEORY OF ACTION

Aspire's Balanced Scorecard includes both outcome metrics that capture Aspire's activities on its Theory of Action, and impact metrics that demonstrate how Aspire's students have performed as a system. Performance below targets on any of these metrics would require Aspire to revisit its education design and business model. [See Appendix C for targets on each metric]

Outcome metrics	Impact metrics

• Positive environment created for starting Aspire schools
   ➢ Aspire's assessment of relationships with districts (e.g. providing timely services at a reasonable cost and working with Aspire on Prop 39)
• Community demand created for Aspire's schools
   ➢ Parent satisfaction
   ➢ Re-enrollment
   ➢ Waitlist
• Each school delivers consistently superior results:
   ➢ API scores
   ➢ Reading/writing levels
   ➢ High school graduation rates
   ➢ College matriculation rates
   ➢ College graduation rates
   ➢ Teacher retention
   ➢ Teacher satisfaction
• Schools receive appropriate support from Aspire
   ➢ School ratings: teacher and principal surveys
	• All Aspire schools demonstrate superior achievement and provide choice in underperforming neighborhoods
	   ➢ API scores
	   ➢ Reading/writing levels
	   ➢ High school graduation rates
	   ➢ College matriculation rates
	   ➢ College graduation rates

MEASURING ASPIRE'S INDIRECT IMPACT: THEORY OF CHANGE

Aspire's Balanced Scorecard also includes measures of its work and impact towards the ultimate goal envisioned in the Theory of Change. These metrics are more challenging to track because they partially depend on the actions of others, and Aspire may not be directly responsible for some of the changes measured. Progress metrics for the Theory of Change will depict Aspire's dynamic relationship with districts and the state; impact metrics are needed to discern whether or not Aspire's strategy has succeeded in making a difference in students' lives across California. Failure to perform on these metrics would cause Aspire to revisit its strategy for change in California. [See Appendix C for targets on each metric]

Outcome metrics	Impact metrics

• District Change: Districts in strategic geographies alter practices to improve student achievement
    - Near term:
      ➢ Percent of district students attending Aspire schools
      ➢ Percent improvement in API scores of schools surrounding Aspire schools
      ➢ Aspire's assessment of district response
    - Long term:
      ➢ District(s) create more choices for students: percentage of district's students attending choice schools (e.g. small learning environments, charters, magnet schools)
      ➢ District(s) create more choices and flexibility for teachers and administrators: percentage of schools using flexibility created by the district
 • Building Capacity: More charters are created.
    ➢ Growth in number of CMO-affiliated charters in CA
 • Advocacy: California policies, practices and institutions change
    ➢ Aspire's assessment of California's educational environment overall and relative to the charter school movement
	• More students attend and complete college in Aspire's geographies
	    - District-wide:
	      ➢ API scores
	      ➢ High school graduation rates
	      ➢ College matriculation rates
	 • More students attend and complete college in California
	    - State-wide
	      ➢ API scores
	      ➢ Relative national rankings
	      ➢ High school graduation rates
	      ➢ College matriculation rates

Aspire's work and impact are possible only through the support of a growing number of organizations and individuals.

LEAD INVESTORS

Aspire has been fortunate to receive financial support from many foundations and individuals. (Please contact Aspire for a current list of supporters). Some of the organization's earliest investors have also made long-term commitments to support the organization as it grows.

- The Bill and Melinda Gates Foundation
- The Broad Foundation
- California Department of Education
- Reed Hastings & Patty Quillin
- New Schools Venture Fund
- The Walton Family Foundation

SPONSORING DISTRICTS

The collaboration of Aspire's past and current sponsoring districts has been critical to the success of the enterprise.

- Keyes School District
- Lodi Unified School District
- Oakland Unified School District
- Ravenswood School District
- Sacramento City School District
- San Carlos School District

DEFINITION

A charter school is a public school that receives independence from education regulations in exchange for fiscal and academic accountability.[31] California charter public schools are exempt from all provisions within the California Educational Code, except for those concerning discrimination and health and safety requirements. This enables charter schools to be more flexible in their educational program and human resource practices. In return for this flexibility, charter public schools are held accountable for the performance of their students. The charter-granting agency and the State Board of Education have the authority to revoke a school's charter if the specific objectives and student achievement goals defined in the school's charter are not met. Furthermore, because funding levels of charter public schools are based on the number of enrolled students, schools must satisfy the educational needs its students and their parents to avoid funding losses that could lead to the school's closing.

PURPOSE

The aim of charter schools is to improve student learning by enabling innovation in the public school system and by lessening bureaucracy. Proponents believe that charter schools will ultimately help all public school students in three ways:
1. by providing effective educational models;
2. by creating competitive pressures on regular public schools to improve; and
3. by increasing accountability in public education.

Charter schools also reflect the expanded purpose which U.S. public schools have implicitly taken on: to produce both upright citizens for our democratic country and productive workers for our increasingly competitive economy.[32]

Charter schools are popular in part because they embody two important characteristics: local control and competition. The public school bureaucracy and monopoly power are widely seen as the two primary reasons for the system's failure, and charter schools are one way to dismantle these obstacles to improvement. Other reform approaches, such as site-based management, vouchers, and privatization, are different ways to increase local control and/or market-based selection.

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[31] The Charter School Movement began in earnest in 1991, when the first charter school law passed in Minnesota; the first charter school opened in September 1992. By September 1997, 30 states had established charter school laws, and over 784 schools serving 150,000 students were operating around the country. (California alone contributed 123 schools to that total.) Momentum has built steadily; in early 1996, the National Education Association (one of the country's two major teachers unions and presumably, charter school foe) committed $1.5 million to affiliate charter school startups. And, in his 1997 State of the Union Address, President Clinton articulated his goal to establish 3000 charter schools by year 2000.

[32] Historically, the stated purpose of American public schools was decidedly moral: to produce citizens of character and judgment. In today's public schools, the notion of economic competition and workplace skills has increasingly taken precedence.

BRIEF HISTORY OF CHARTER SCHOOLS

The Charter School Movement began in earnest in 1991, when the first charter school law passed in Minnesota; the first charter school opened in September 1992. By September 1997, 30 states had established charter school laws, and over 784 schools serving 150,000 students were operating around the country.[33] California alone contributed 123 schools to that total. In his 1997 State of the Union Address, President Clinton articulated his goal to establish 3000 charter schools by year 2000.

CALIFORNIA CHARTER SCHOOL LEGISLATION

Legislation varies widely by state. California was one of the first states to pass a charter school law, and is considered reasonably friendly to charter schools.[34]

Under California's 1998 charter school legislation (AB 544), the governing school board has the authority to grant, renew and revoke charters. If a petition for a charter is denied, the petitioners can resubmit their charter application to the State Board of Education. A California school charter petition must include "measurable pupil outcomes," requiring the school to outline its specific student academic expectations and assessment techniques. A charter is granted to a school for five years after which time the charter granting agency, (i.e., usually the governing school board), reviews the charter school's performance. The school's charter can be revoked by the charter-granting agency for any one of the following actions[35]:

- Committed a material violation of any of the conditions, standards, or procedures set forth in the charter;
- Failed to meet or pursue any of the pupil outcomes identified in the charter;
- Failed to meet generally accepted accounting principles, or engaged in fiscal mismanagement;
- Violated any provision of law.

In addition, the State Board of Education, based on the recommendations of the Superintendent of Public Instruction, may revoke a school's charter if evidence of the following is found:

- Gross financial mismanagement that jeopardizes the financial stability of the charter school;
- Illegal or substantially improper use of charter school funds for the personal benefit of any officer, director, or fiduciary of the charter school; or
- Substantial and sustained departure from measurably successful practices such that continued departure would jeopardize the educational development of the school's pupils.

The California Charter Schools Act requires that all charter public schools "meet the statewide standards and conduct the pupil assessments" legally required by all traditional public schools. All charter school students are therefore required to take any mandatory statewide assessments used in traditional public schools.

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[33] U.S. Department of Education, Office of Educational Research and Improvement, *A National Study of Charter Schools: Second Year Report*, July 1998.

[34] In an analysis of how charter-friendly state laws are, the Center for Education Reform, (a Washington DC-based advocacy organization) ranked California's charter law 15th out of 41 states.

[35] California Assembly Bill 544 of the 1998 legislative session.

Charter school law reflects a growing tension between encouraging free market competition and protecting against malpractice. On one hand, recent legislation imposed program restrictions on home study charter schools and forced charter schools to provide a minimum number of instructional days. The same law also provided lease aid to site-based charters in poor urban areas, moving towards a more level playing field in terms of facility occupancy cost (SB 740). Charter advocates both seek legislation to minimize facilities occupancy costs (which will enable more charters to be created) and try to ensure that new legislation does not limit a charter school's flexibility for innovation.

CALIFORNIA PUBLIC SCHOOL LANDSCAPE

While the charter school movement in California has been growing, charters still make up less than 5% of public schools. Of those charter schools, less than 10% are run by Charter Management Organizations such as Aspire.

California Public Schools (Number of Schools)
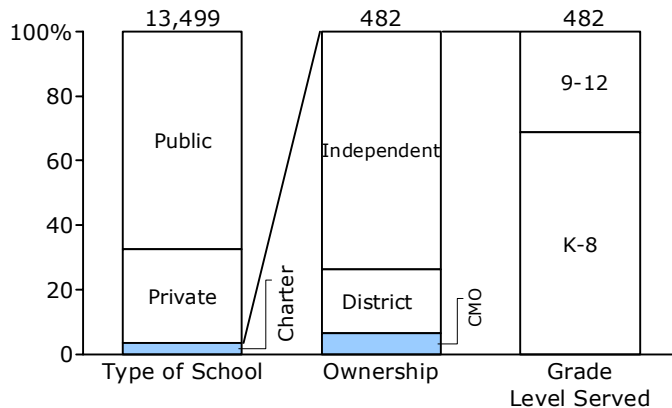
Note: CMO/EMOs include Aspire (10), Edison (8), GreenDot (3), KIPP (7), Leadership (1), Envision Schools (1), MIT (1)
Sources: California Department of Education, Bridgespan Analysis, Bridgespan Estimates

CALIFORNIA'S CHARTER MANAGEMENT ORGANIZATIONS

There are only three other charter organizations in California that currently operate more than one school: Edison, Green Dot and Knowledge is Power Program (KIPP). Edison runs both elementary and secondary schools, Green Dot is focused on high schools, and KIPP is focused on middle schools. Edison and KIPP are also both national organizations, while Green Dot works exclusively in the Los Angeles area. Edison is a for-profit company, and it received a $25 million grant to subsidize its work in California. The other two organizations are not-for-profit.

Organization	Description[36]	Location(s)
Edison	"Founded in 1992, Edison Schools is the nation's leading partner with public schools and school districts, focused on raising student achievement through its research-based school design, uniquely aligned assessment systems, interactive professional development, integrated use of technology and other proven program features. Edison students are achieving annual academic gains well	132,000 students in 23 states

[36] From organizations' websites

	above national norms."	
Green Dot	"Green Dot will open 100 successful charter high schools in areas of Los Angeles that currently have high concentrations of underperforming and overcrowded schools. Each new school will be opened following Green Dot's proven school model and will greatly outperform the existing public schools in the area. New schools will be built in clusters of 4-6 in target locations throughout the Los Angeles metropolitan area to maximize operational efficiencies and allow students to receive a wider variety of courses and extracurricular activities than they would receive if the schools were isolated. Green Dot's current strategy is to focus exclusively on high schools and collaborate with other charter school networks and LAUSD at the middle school and elementary school levels."	Los Angeles
Knowledge is Power Program (KIPP)	"KIPP Schools are a growing number of free open-enrollment public schools that provide educationally underserved students with the knowledge, skills, and character needed to succeed in top-quality high schools, colleges, and the competitive world beyond. KIPP students are accepted regardless of prior academic record, conduct, or socioeconomic background, and over 80% of KIPP students qualify for the federally subsidized meal program."	4,000 students in 13 states and the District of Columbia

With the pro bono help of international strategy consulting firm McKinsey & Company, Aspire developed a "balanced scorecard" to create a more integrated and comprehensive way to evaluate the organization's success. Aspire's balanced scorecard includes *outcome metrics* that measure Aspire's work towards its goals, and *impact metrics* that measure the results Aspire hopes to see from its work. Aspire also tracks interim process measures to ensure Aspire's approach is being implemented consistently, and input measures to discern similarities and differences between Aspire and its local districts. Aspire's metrics relate to students, parents, staff and community. External parties are most interested in the outcome and impact metrics; Aspire uses process and input measures internally as management tools. Data is gathered by Aspire staff and independent parties (i.e. for satisfaction surveys), and "roll up" to provide a complete picture of the organization's effectiveness in meeting its goals. Aspire uses the data to test its assumptions, communicate its achievements, and engage important community members, decision makers and investors in its work.

THEORY OF ACTION METRICS AND TARGETS

Outcome metrics and targets *Measures of Aspire's Internal Work*	Impact metrics and targets *Measures of Aspire as a whole*

• Positive environment created for starting Aspire schools
  Aspire's assessment of relationships with districts: 4 out of 5 on Aspire rubric
• Community demand created for Aspire's schools
  ➢ Parent satisfaction: 95% based on parent survey
  ➢ Re-enrollment: 95% of eligible students
  ➢ Waitlist: 100% of enrollment
• Each school delivers consistently superior results:
  ➢ API scores: 8 on similar school ranking by year 4
  ➢ Reading/writing levels: 100% on DRA, Stieglitz, and APS writing test
  ➢ High school graduation rates: 95% within 5 years
  ➢ College matriculation rates: 90% enroll in some post-secondary education
  ➢ College graduation rates: 80% complete a degree or certificate
  ➢ Teacher retention: 95% of eligible teachers
  ➢ Teacher satisfaction: 95% based on survey
• Schools receive appropriate support from Aspire
  School satisfaction: 95% based on survey
	Aspire's entire system of schools demonstrate superior achievement and provide choice in underperforming neighborhoods
	API scores: 100% of schools in operation for 4 years or more have 8 similar school ranking
	Reading/writing levels: 100% on DRA, Stieglitz reading test, and APS writing test
	High school graduation rates: 95% within 5 years
	College matriculation rates: 90% enroll in some post-secondary education
	College graduation rates: 80% complete a degree or certificate

THEORY OF CHANGE METRICS AND GOALS

Outcome metrics and targets *Measures of Aspire's work outside the organization*	Impact metrics and targets *Measures of Aspire's impact on California*

District Change: Districts in strategic geographies alter practices to improve student achievement
  ➢ Percent of district students attending Aspire schools: 10%
  ➢ Percent improvement in API scores of schools surrounding Aspire schools: 10% greater than statewide average improvement
  ➢ Aspire's assessment of district response: 4 of 5 on Aspire rubric
  ➢ District(s) create more choices for students: percentage of district's students attending choice schools (e.g. small learning environments, charters, magnet schools): 50% students attend choice schools
  ➢ District(s) create more choices and flexibility for teachers and administrators: percentage of schools using flexibility created by the district: 50% of schools adopt flexible conditions
• Building Capacity: More charters are created.
  ➢ Growth in number of CMO-affiliated charters in CA: 5 times more CMO-affiliated charters
California policies, practices and institutions change
  Aspire's assessment of California's educational environment overall and relative to the charter school movement: 4 of 5 on Aspire rubric
	• More students attend and complete college in Aspire's geographies
	  ➢ API scores: 8 on similar school ranking
	  ➢ High school graduation rates: 10% increase above current levels
	  ➢ College matriculation rates: 10% increase above current levels
	• More students attend and complete college in California
	  Statewide API scores: 800
	  Relative national rankings: up to top 5 states
	  College matriculation rates: Increase of 10% above current level

MILESTONES

Aspire has delineated the milestones that must be achieved before moving from phase one to phase two. These milestones provide the management team and the Board a mechanism for tracking progress and, in the event any of the milestones are not met, allow Aspire to revisit its assumptions and fine-tune its strategy to meet the emerging issues the organization faces as it grows.

Phase One Milestones

	Organizational	Financial	Operational
Build the organization	CFO, Legal Counsel, and Director of IT hired Regional VP for the Central Valley hired	Funding secured for home office/ regional office operations	Home office and regional office sites are operating on the new/refined financial and student tracking systems
Expand elementary	New principal pipeline developed, and principals hired	Facilities financing in place for new schools	New charters approved Facilities secured Four schools ready to open (including two in L.A.)
Refine and expand secondary	N/A	Economic feasibility of 6-12 secondary school model demonstrated Funding secured for Grade 13 pilot	N/A
Expand to Los Angeles	Regional VP for Los Angeles hired Planning principals for Los Angeles schools hired	Funding secured for Los Angeles regional office Facilities financing in place for new schools	Charters approved for two elementary schools 2 facilities secured Two schools ready to open

Phase two milestones

In Phase two, Aspire will be staging its growth in 10-school increments. At each 10-school checkpoint, the management team will do a major review of its progress against its metrics and determine if and how to proceed with the next 10 schools. If Aspire has reached the goals laid out above in one or more of its geographies, it will shift its growth plans to other areas or scale back on its growth. If it has not met its goals, it will proceed with the growth plan outlined in this document.

In addition to tracking metrics, Aspire will reassess the external environment at these checkpoints. If any of the obstacles highlighted in risks section of the plan prove to be insurmountable, or if new opportunities present themselves as a result of changes in state or federal regulations and funding, or changes in district staff or political environments, Aspire will reevaluate its growth strategy to adapt to the new situation.

PHASE ONE KEY HIRES AND TIMING

Home office:

Position	Timing
AR/Grants Accountant	Spring 2004
Senior Finance Executive	Spring 2004
Director of Professional Development	Spring 2004
Legal Counsel	Spring 2004
Director of Student Services	Summer 2004
Director of Technology	Summer 2004
Facilities Associate	Summer 2004

Regional offices:

Position	Timing
Central Valley VP	Spring 2004
Central Valley Regional Assistant	Fall 2004
Los Angeles Regional VP	Fall 2004
Los Angeles Regional Assistant	Winter 2004

PHASE TWO STAFFING ASSUMPTIONS

Aspire will develop a plan for adding Human Resource Associates and Facilities Associates in the regional offices at an appropriate pace (most likely, both will required as regions grow to about 5 schools. In addition, several other regional positions may be added as Aspire grows:

Position	Pace of staffing additions
Assistant Controller	1 per 7-10 schools
Financial Analysts	1 per 7-10 schools
Instructional coaches	2 per 7-10 schools
Accountants	1 per 7-10 schools
Technology Associates	1 per 3 secondary schools

APPENDIX E: FACILITIES

Facilities costs are the biggest variable in the system-wide financial model. Facility occupancy costs are dependent on both the availability of facility types (e.g. properties that are leased, renovated extensively, or constructed) and the options for financing these facilities (i.e. market rates versus lower cost government financing).

FINANCING OPTIONS

	Financing type	Description
Federal	Charter School Facility Financing Demonstration Project	Provides low-interest loans to charter schools through an intermediary (e.g. Low Income Investment Fund, ExEd.)
Federal	HUD Community Redevelopment Act	Provides debt financing for construction through special loans under the Community Redevelopment Act
State	Prop 47/55	Earmarks $400M of state bonds for charter school construction; charter responsible for debt service on 50% of project costs at state's PMIA rate (currently ~3%)
State	CDE Revolving Loan Fund	Provides $250K one-time loan for charter schools at a 3% PMIA, repayable over 5 years
State	SB740	Reimburses charter schools serving low-income students up to 75% of lease expenses
District	Prop 39	Requires districts to provide "equal and proportional" facilities for charter schools serving students in the district
District	Measure K	$3.34B bond measure passed in Los Angeles to build new schools and repair aging classrooms; $50M reserved for charters
Private	Program related investments	Non-grant funds provided by foundations to reduce cost of borrowing by not-for-profits (e.g. letter of credit, guarantee pool, direct loans)
Private	Nonprofit real estate trusts (NREIT)	Not-for-profit real estate development fund created using a combination of foundation money and low-interest loans to finance and develop facilities and lease them back to charters

Pro forma financials and sustainability calculations were based on the following facility assumptions:

	ELEMENTARY SCHOOL FACILITIES			SECONDARY SCHOOL	
		Year 0	Year 1		Year 0	Year 1
LEASE -- Small parochial						
Lease cxpense		$0	$125,000			
Tenant improvements		$150,000				
Total Annual Lease		$150,000	$125,000			
LEASE -- Large parochial						
Lease cxpense		$0	$300,000		$0	$300,000
Tenant improvements		$350,000			$400,000	
Total Annual Lease		$350,000	$300,000		$400,000	$300,000
Prop 39 funding						
Lease cxpense		$0	$220,000		$0	$220,000
Tenant improvements		$40,000			$60,000	
Total Annual Lease		$40,000	$220,000		$60,000	$220,000
PURCHASE -- Conversion (PRI)						
Cost of land		$2,500,000			$3,000,000	
Cost of converstion		$1,500,000			$2,500,000	
Total cost of project		$4,000,000			$5,500,000	
Assumed philanthropy		$1,000,000			$1,000,000	
Loan amount		$3,000,000			$4,500,000	
Interest rate		4%			4%	
Loan period		20			20	
Annual debt payment		211,083	211,083		316,625	316,625
PURCHASE -- land and construct with Bond						
Cost of land		$1,500,000			$2,000,000	
Cost of construction		$3,500,000			$4,200,000	
Total cost of project		$5,000,000			$6,200,000	
Mortgage Rate		7.25%			7.25%	
Mortgage Term		30			30	
Site Identification and Due Diligence		$50,000			$50,000	
Mortgage		$413,098			$512,242	
Annual payment		$463,098	$413,098		$562,242	$512,242
PURCHASE -- land & construct with Prop 47; Measure K						
Cost of land		$1,500,000			$1,500,000	
Cost of construction		$4,500,000			$5,500,000	
Total cost of project		$6,000,000			$7,000,000	
Portion of project costs requiring debt service		50%			50%	
Amount of Debt		$3,000,000			$3,500,000	
Mortgage rate		3.0%			3.0%	
Mortgage term		30			30	
Site identification and due diligence		80,000			80,000	
Annual Purchase Costs - Prop 47		$153,058			$178,567	
Annual payment		$233,058	$153,058		$258,567	$178,567

UNIT MODELS

Aspire has developed three unit models (two elementary and one secondary) to project system-wide financials as new schools are added. All the unit models are financially sustainable at steady state given current assumptions. Individual schools can vary somewhat from the unit model and still be be financially sustainable.

School level sustainability is driven primarily by:

Facilities occupancy cost	Costs can vary significantly, ranging from $125K to $500K per year depending on the facility type and financing option
	Additional state funding for facility occupancy can offset costs
Enrollment / Attendance	Most state and federal revenues are based on the number of pupils attending school (not enrollment)
	Grade K-3 classrooms must have 20 or fewer students to be eligible for state class-size reduction funds
	Many expenses are variable based on the number of enrolled students (e.g. books)
Personnel	Student-to-teacher ratios determine the number of teaching staff; at the secondary school level, teacher caseloads impact this ratio
	Experienced teachers are more expensive
	School principal and other administrative staff are fixed costs

ELEMENTARY SCHOOL MODELS

The elementary school financial model and the small elementary school financial model are based on the historical performances of Aspire's existing elementary schools, with some adjustments to reflect management's expectations. Because Aspire elementary schools typically start fully enrolled at all grade levels, all start-up expenses are assumed to be incurred in Year Zero.

Elementary Unit Model	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
in thousands							
Revenues							
State and Local	$ -	$ 2,084	$ 2,084	$ 2,084	$ 2,084	$ 2,084	$ 2,084
Federal	$ -	$ 121	$ 121	$ 121	$ 121	$ 121	$ 121
Total revenue	$ -	$ 2,205	$ 2,205	$ 2,205	$ 2,205	$ 2,205	$ 2,205
Expenses							
Personnel	$ 72	$ 1,373	$ 1,373	$ 1,413	$ 1,413	$ 1,413	$ 1,413
Books and Supplies	$ 142	$ 61	$ 56	$ 56	$ 56	$ 56	$ 56
Other Expenses	$ 2	$ 214	$ 212	$ 212	$ 212	$ 212	$ 212
Capital Outlay	$ 150	$ 15	$ 15	$ 15	$ 15	$ 15	$ 15
Home Office Charge	$ -	$ 154	$ 154	$ 154	$ 154	$ 154	$ 154
District Administration Charge	$ -	$ 22	$ 22	$ 22	$ 22	$ 22	$ 22
Reserve	$ -	$ 66	$ -	$ -	$ -	$ -	$ -
Total non-facility expenses	$ 366	$ 1,906	$ 1,833	$ 1,872	$ 1,872	$ 1,872	$ 1,872
Net income excluding cost of facility	$ (366)	$ 300	$ 373	$ 333	$ 333	$ 333	$ 333
Facilities (rent or interest payment)	$ 350	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300
Net Income	$ (716)	$ (0)	$ 73	$ 33	$ 33	$ 33	$ 33

Elementary Small Model	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
in thousands							
Revenues							
State and Local	$ -	$ 1,167	$ 1,167	$ 1,167	$ 1,167	$ 1,167	$ 1,167
Federal	$ -	$ 68	$ 68	$ 68	$ 68	$ 68	$ 68
Total revenue	$ -	$ 1,235	$ 1,235	$ 1,235	$ 1,235	$ 1,235	$ 1,235
Expenses							
Personnel	$ 71	$ 806	$ 806	$ 828	$ 828	$ 828	$ 828
Books and Supplies	$ 80	$ 34	$ 31	$ 31	$ 31	$ 31	$ 31
Other Expenses	$ 2	$ 134	$ 133	$ 133	$ 133	$ 133	$ 133
Capital Outlay	$ 150	$ 15	$ 15	$ 15	$ 15	$ 15	$ 15
Home Office Charge	$ -	$ 86	$ 86	$ 86	$ 86	$ 86	$ 86
District Administration Charge	$ -	$ 12	$ 12	$ 12	$ 12	$ 12	$ 12
Reserve	$ -	$ 37	$ -	$ -	$ -	$ -	$ -
Total non-facility expenses	$ 303	$ 1,124	$ 1,083	$ 1,105	$ 1,105	$ 1,105	$ 1,105
Net income excluding cost of facility	$ (303)	$ 111	$ 152	$ 129	$ 129	$ 129	$ 129
Facilities (rent or interest payment)	$ 150	$ 125	$ 125	$ 125	$ 125	$ 125	$ 125
Net Income	$ (453)	$ (14)	$ 27	$ 4	$ 4	$ 4	$ 4

START-UP COSTS:

The total start-up cost for the standard elementary model is about $720K, and the total start-up cost for the smaller elementary model is about $470K over a one and two-year period respectively. The breakdown for these costs is as follows:

- Up-front costs for remodeling a building are assumed to be $150,000 for a small elementary school and $350,000 for a standard elementary school.
- The purchase of computers, equipment, and furniture are estimated at $150K.
- The purchase of new books and supplies are estimated at $142K for the standard elementary model and $80K for the smaller elementary model.
- Direct personnel costs during the start-up year are $72K, which includes a principal and an office manager for 6 months.
- Minor outreach and recruiting expenses are incurred in the start-up year

Aspire anticipates that "Anticipated Philanthropy" will continue to be used for start-up costs.

Key Assumptions:

- *Facilities*: The unit model assumes that facility costs will take the form of one-time tenant improvement costs in Year Zero and lease payments ongoing (e.g. for former parochial schools). For calculating system-wide financial sustainability, the facility cost of each new school is projected individually, based on availability of facilities and funding options within each geography (see Appendix E on Facilities for range in facilities cost).

- *Enrollment:* Both elementary school models will serve grades K-5. Total enrollment is 352 and 196 for the standard elementary school and the smaller elementary school, respectively. Some elementary schools may also include grades 6-8, depending on community demand. Any variances to the prototype will be evaluated individually for their impact on both quality and financial sustainability.

- *Personnel:* Personnel costs make up about 75% of total non-facility expenses at steady state. Base salary for a classroom teacher ranges from $42K to $60K a year; benefits are approximately 24% of salary. The standard elementary school model includes 27 staff members total, including 16 classroom teachers. The smaller elementary school model projects a total staff of 16, with 9 classroom teachers. In addition to classroom teachers, each school has a principal, an office manager, special subject (P.E., Music, Art) teachers, a literacy specialist, administrative assistant, building manager, and part-time lunch supervisors. Substitute teachers are hired as necessary.

Other assumptions:

- *Revenue:* The vast majority of Aspire's revenues come from government sources. The state block grant, revenue limit funds, federal title funds, and other government revenue sources may vary in the future, but the certainty of receiving these funds is high. State and local revenue is assumed to be $6,053 and $5,201 per Average Daily Attendance (ADA) for grades K-3 and grades 4-5, respectively, with an additional $434 per ADA for SB740 funding applicable to facilities costs. Federal revenue is assumed to be $345 per ADA for grades K-5. Schools are projected to have an attendance rate of 95% and assumed to have 70% of their student body eligible for free and reduced lunch.

- *Student-to-teacher ratio:* The student-to-teacher ratio is a key component of both Aspire's programmatic goals as well as the financial sustainability of its schools. The student-to-teacher ratio directly affects the number of teachers needed for each school. There are 20 students per teacher in grades K-3, and 28 students per teacher in grades 4-5.

- *Fees:* Each site pays a management fee of 7% of revenues to the Aspire Home Office, and 1% to the sponsoring District. Each school must also build a reserve of 3% of annual revenues.

- *Other expenses:* Educational materials make up 3% of non-facility expenses at steady state. All other expenses are 11-13% of non-facility expenses at steady state. The largest of these is the per ADA charge for special education services, paid to the local school district. In addition, other expenses include insurance, utilities, maintenance, printing, Internet, phone, travel and conferences, dues and subscriptions, consultants, fingerprinting, and field trip expenses.

SECONDARY SCHOOL MODELS

Aspire's secondary school prototype serves grades 6-13; however, Aspire may offer secondary schools with grades 6-12 in geographies where there is a lack of community support for a 13th grade class. The secondary school financial model is based on the historic performance of Aspire's existing secondary schools with adjustments to reflect management's expectations.

Secondary School Grades 6-13 Model	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
in thousands							
Revenues							
State and Local	$ -	$ 1,302	$ 1,661	$ 2,020	$ 2,380	$ 2,559	$ 2,559
Federal	$ -	$ 80	$ 100	$ 120	$ 140	$ 150	$ 150
Total revenue	**$ -**	**$ 1,382**	**$ 1,761**	**$ 2,141**	**$ 2,520**	**$ 2,709**	**$ 2,709**
Expenses							
Personnel	$ 81	$ 1,087	$ 1,274	$ 1,422	$ 1,616	$ 1,672	$ 1,672
Books and Supplies	$ 141	$ 71	$ 119	$ 136	$ 153	$ 131	$ 131
Other Expenses	$ 2	$ 244	$ 259	$ 275	$ 292	$ 292	$ 292
Capital Outlay	$ 235	$ -	$ -	$ -	$ -	$ -	$ -
Home Office Charge	$ -	$ 97	$ 123	$ 150	$ 176	$ 190	$ 190
District Administration Charge	$ -	$ 14	$ 18	$ 21	$ 25	$ 27	$ 27
Reserve	$ -	$ 41	$ 11	$ 11	$ 11	$ 6	$ -
Total non-facility expenses	**$ 458**	**$ 1,553**	**$ 1,804**	**$ 2,015**	**$ 2,274**	**$ 2,317**	**$ 2,311**
Net income excluding cost of facility	**$ (458)**	**$ (171)**	**$ (43)**	**$ 125**	**$ 246**	**$ 392**	**$ 398**
Facilities (rent or interest payment)	$ 400	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300
Net Income	**$ (858)**	**$ (471)**	**$ (343)**	**$ (175)**	**$ (54)**	**$ 92**	**$ 98**

Secondary School Grades 6-12 Model	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
in thousands							
Revenues							
State and Local	$ -	$ 1,302	$ 1,661	$ 2,020	$ 2,380	$ 2,380	$ 2,380
Federal	$ -	$ 80	$ 100	$ 120	$ 140	$ 140	$ 140
Total revenue	**$ -**	**$ 1,382**	**$ 1,761**	**$ 2,141**	**$ 2,520**	**$ 2,520**	**$ 2,520**
Expenses							
Personnel	$ 81	$ 1,087	$ 1,274	$ 1,414	$ 1,607	$ 1,607	$ 1,607
Books and Supplies	$ 141	$ 59	$ 104	$ 118	$ 132	$ 97	$ 97
Other Expenses	$ 2	$ 243	$ 259	$ 275	$ 291	$ 291	$ 291
Capital Outlay	$ 150	$ 15	$ 15	$ 15	$ 15	$ 15	$ 15
Home Office Charge	$ -	$ 97	$ 123	$ 150	$ 176	$ 176	$ 176
District Administration Charge	$ -	$ 14	$ 18	$ 21	$ 25	$ 25	$ 25
Reserve	$ -	$ 41	$ 11	$ 11	$ 11	$ -	$ -
Total non-facility expenses	**$ 374**	**$ 1,556**	**$ 1,804**	**$ 2,005**	**$ 2,258**	**$ 2,212**	**$ 2,212**
Net income excluding cost of facility	**$ (374)**	**$ (174)**	**$ (43)**	**$ 136**	**$ 262**	**$ 308**	**$ 308**
Facilities (rent or interest payment)	$ 400	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300
Net Income	**$ (774)**	**$ (474)**	**$ (343)**	**$ (164)**	**$ (38)**	**$ 8**	**$ 8**

Startup costs:

The total start-up cost for the 6-12 and 6-13 secondary schools over the five-year period is $1.8M and $1.9M respectively. The breakdown for the startup cost is as follows:
- Up-front costs for remodeling a building are assumed to be $400,000
- Computers, equipment, and furniture purchased in the year prior to opening cost $150-235K
- New books and supplies are $141K initially; additional books and supplies continue to be purchased as additional grades are added until steady state.
- Initial personnel costs are approximately $81K (this includes a principal and an office manager for half a year).

- Minor outreach expenses are incurred in the start-up year.

Aspire anticipates that "Anticipated Philanthropy" will continue to be used for start-up costs.

Key Assumptions:
- *Facilities:* The unit model assumes facilities costs to include tenant improvement costs in Year Zero and annual lease payments (e.g. for a former parochial school). Since Grade 13 students are expected to spend most of their school day offsite, at internships or in community college classes, the facilities cost assumptions for both the grades 6-12 and 6-13 models are the same. For calculating system-wide financial sustainability, the facility cost of each new school is projected individually, based on availability of facilities and funding options within each geography (see Appendix E on Facilities for range in facilities cost).
- *Enrollment:* Aspire's secondary schools ramp up over a period of 4 or 5 years, adding a grade each year as students progress. Each grade will have 58 students, with a class size of 29, for a steady state enrollment of 406 students for the 6-12 model and 435 students for the 6-13 model (assuming that 50% of the 12th grade class continue as 13th graders). The secondary school model is also financially sustainable with assumptions of higher overall enrollment. Any variances to the prototype will be evaluated individually for their impact on both quality and financial sustainability.
- *Personnel:* Personnel costs make up about 75% of total non-facility expenses at steady state. Salary for a classroom teacher ranges from $35K to $60K a year, and benefits are assumed to be 24% of total salary. Each secondary school has core classroom teachers (Humanities, Math, Science, Foreign Language), special subject teachers, a literacy specialist, an internship coordinator to help place students in valuable "real-world" internships, and a dean to provide a general faculty point of contact for students and to assist in the college preparatory process. In addition, each school has a site principal, office manager, building manager, and noon supervisors. Substitute teachers are contracted as necessary. The 6-12 secondary school model projects a total staff of 31, with 15 core classroom teachers at steady state. The grades 6-13 model assumes an additional internship coordinator/advisor staff member to support the grade 13 students.

Other assumptions:
- *Revenue:* As in the elementary school models, the vast majority of revenues come from government sources. The state block grant, revenue limit funds, federal title funds, and other government revenue sources may vary in the future, but the certainty of receiving these funds is high. State and local revenue is assumed to be $5,635, $5,709, and $6,508 per ADA for grades 6, 7-8, and 9-13, respectively, with an additional $434 per ADA for SB740 funding applicable to facilities costs. Federal revenue is assumed to be $345 per ADA for grades 6-13. Schools are projected to have an average attendance rate of 95% and assumed to have 70% of their student body eligible for free and reduced lunch.
- *Student-to-teacher ratio/caseload:* The student-to-teacher ratio is one of the key drivers of secondary school economics. Since teachers specialize in subjects at the secondary school level, teacher caseload is calculated for each subject area. The Aspire secondary school model assumes a caseload of 58 students for each Humanities teacher, 116:1 for Math, Science, and Spanish, and 145:1 for PE and Art. The overall student-to-teacher ratio given these subject area caseloads results in about 20 students to 1 teacher.

- *Fees:* Each site pays a management fee of 7% of revenues to the Aspire Home Office, and 1% to the sponsoring District. Each school must also build a reserve of 3% of revenues.
- *Other expenses:* Educational materials make up 5% of the non-facility expenses at steady state, and include $453 per student for tuition and books for grade 13 students enrolled in 3 community college classes. All other expenses are 13% of non-facility expenses at steady state. The largest of these is the per ADA charge for special education services, paid to the local school district. In addition, other expenses include insurance, utilities, maintenance, printing, Internet, phone, travel and conferences, dues and subscriptions, consultants, fingerprinting, and field trip expenses.

APPENDIX G: 5 YEAR PRO FORMA - CONSOLIDATED PROFIT/LOSS STATEMENT

	Actuals				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Revenue										
State and Local Revenue	2,739,138	5,759,998	9,070,874	11,650,580	11,265,255	22,607,797	28,601,310	34,455,964	39,862,542	45,987,499
Federal Revenue			182,998	1,229,533	1,945,067	1,312,447	1,667,318	2,026,538	2,316,185	2,647,008
Committed philanthropy	1,651,877	5,946,871	5,506,032	3,655,214	4,165,760	3,104,817	3,026,068	2,600,000	3,211,200	3,100,000
Anticipated philanthropy					-	1,939,500	2,586,000	1,939,500	1,939,500	1,939,500
Other	4,184	111,645	974,499	478,432	6,793,948	-	-	-	-	-
Total Revenue	4,395,199	11,818,514	15,734,403	17,013,759	24,170,030	28,964,561	35,880,696	41,022,001	47,329,427	53,674,007
Expenses										
Salaries & Benefits	1,698,387	3,707,398	7,600,856	9,829,559	14,850,545	17,717,326	22,439,165	26,959,166	31,327,100	35,918,171
Books and Supplies	201,887	216,876	748,063	713,020	1,660,158	1,393,013	1,655,127	1,743,039	2,037,236	2,307,017
Services & Other Operating Exp	1,130,644	2,236,765	2,486,677	3,223,983	3,096,348	3,575,572	4,152,265	5,000,881	5,742,855	6,518,049
Facilities			2,355,598	2,794,519	3,352,154	3,752,918	4,530,254	5,151,675	5,626,052	5,786,762
Capital Outlay	-	147,304	96,319	647,233	807,517	728,250	957,250	720,000	726,000	724,500
Home Office charge			-	-	-	-	-	-	-	-
District Admin charge	-	-	125,503	159,637	200,135	239,202	302,686	364,825	421,787	486,345
Total Expense	3,030,918	6,308,343	13,413,015	17,367,951	23,966,857	27,406,281	34,036,746	39,939,585	45,881,029	51,740,844
Net Income	1,364,281	5,510,171	2,321,388	(354,192)	203,173	1,558,279	1,843,949	1,082,416	1,448,398	1,933,163
Less 3% Reserve	-	-	-	-	199,881	517,726	190,452	186,416	170,887	193,673
Less Excess Reserve from schools	-	-	-	-	-	238,172	799,215	858,604	1,254,436	1,561,836
Net Income	1,364,281	5,510,171	2,321,388	(354,192)	3,292	802,381	854,282	37,396	23,076	177,653

APPENDIX G: 5 YEAR PRO FORMA - CONSOLIDATED CASH FLOW STATEMENT

	Actuals				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Funds from Operating Activities										
Net Income	1,364,281	5,510,171	2,321,388	(354,192)	3,292	802,381	854,282	37,396	23,076	177,653
Adjustments										
Depreciation	142,874	223,980	-	-	-	-	-	-	-	-
Increase in Assets	(447,310)	(3,189,882)	(2,915,978)	3,435,530	-	-	-	-	-	-
Decrease in Liabilities	412,222	85,770	5,048,252	(859,847)	-	-	-	-	-	-
Net Cash from Operating	1,472,067	2,630,039	4,453,661	2,221,491	3,292	802,381	854,282	37,396	23,076	177,653
Funds from Investing Activities										
Purchase of Property & Equipment	(1,931,632)	(2,456,841)	(6,676,070)	(12,543,914)	(250,000)	(375,000)	(9,750,000)	-	(11,000,000)	(125,000)
Net Cash from Investing	(1,931,632)	(2,456,841)	(6,676,070)	(12,543,914)	(250,000)	(375,000)	(9,750,000)	-	(11,000,000)	(125,000)
Funds from Financing Activities										
Change in Long Term Debt	250,000	17,071,322	(142,500)	11,687,500	-	(10,107,762)	9,500,000	-	11,000,000	-
Retained Earnings	-	-	-	(2,415,911)	-	-	-	-	-	-
Net Cash from Financing	250,000	17,071,322	(142,500)	9,271,590	-	(10,107,762)	9,500,000	-	11,000,000	-
Net Change in Cash Balances	(209,565)	17,244,520	(2,364,909)	(1,050,834)	(246,708)	(9,680,381)	604,282	37,396	23,076	52,653
Beginning Cash Balance	712,745	503,180	17,747,700	15,382,791	14,331,957	14,085,250	4,404,869	5,009,151	5,046,546	5,069,622
Ending Cash Balance	**503,180**	**17,747,700**	**15,382,791**	**14,331,957**	**14,085,250**	**4,404,869**	**5,009,151**	**5,046,546**	**5,069,622**	**5,122,275**

APPENDIX G: 5 YEAR PRO FORMA - CONSOLIDATED BALANCE SHEET

	Actuals				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Assets										
Current Assets										
Cash	503,180	17,775,200	15,382,791	14,331,957	14,085,250	4,404,869	5,009,151	5,046,546	5,069,622	5,122,275
Accounts Receivable	467,422	3,883,997	6,381,733	2,481,685	2,481,685	2,481,685	2,481,685	2,481,685	2,481,685	2,481,685
Other current assets	279,723	514,208	832,949	1,297,468	1,297,468	1,297,468	1,297,468	1,297,468	1,297,468	1,297,468
Total current assets	1,250,325	22,173,405	22,597,473	18,111,110	17,864,403	8,184,022	8,788,304	8,825,699	8,848,775	8,901,428
Property, Plant & Equipment	1,893,532	4,126,393	10,802,464	23,346,378	23,596,378	23,971,378	33,721,378	33,721,378	44,721,378	44,846,378
Total Assets	3,143,857	26,299,798	33,399,937	41,457,487	41,460,780	32,155,399	42,509,681	42,547,077	53,570,153	53,747,806
Liabililties										
Accounts Payable	469,258	617,528	5,538,779	4,678,932	4,678,932	4,678,932	4,678,932	4,678,932	4,678,932	4,678,932
Long term debt	250,000	17,747,500	17,605,000	29,292,500	29,292,500	19,184,738	28,684,738	28,684,738	39,684,738	39,684,738
Total liabilities	719,258	18,365,028	23,143,779	33,971,432	33,971,432	23,863,670	33,363,670	33,363,670	44,363,670	44,363,670
Equity										
Retained earnings	-	2,424,599	7,934,770	7,840,247	7,486,055	7,489,347	8,291,728	9,146,011	9,183,406	9,206,482
Net Income	1,364,281	5,510,171	2,321,388	(354,192)	3,292	802,381	854,282	37,396	23,076	177,653
Total Equity	1,364,281	7,934,770	10,256,158	7,486,055	7,489,347	8,291,728	9,146,011	9,183,406	9,206,482	9,384,135
Total Liability + Equity	2,083,539	26,299,798	33,399,937	41,457,487	41,460,780	32,155,399	42,509,681	42,547,077	53,570,152	53,747,805