

**ROCKETSHIP EDUCATION
BOARD OF DIRECTORS MEETING
8:30am June 23, 2009**

2105 S. Bascom Ave. Suite 220 / Campbell, CA / 95008

1. Call to Order

2. Public Comment

3. Consent Action Items

3a. Approval of Part I of Consolidated Application (RMS)

3b. Approval of 09/10 Instructional Minutes & Calendar (RMS)

Copies available on Box.Net <https://rsed.box.net/shared/ud91rvqe3s>

4. Closed Session

4a. Discussion of Personnel Matters

5. Open Session Action Items

5a. Approval of John Danner Offer Letter

5b. Approval of Cat Alexander Offer Letter

6. Strategy Discussion

6a. Board Offsite (see attached agenda)

7. Budget Action Items

7a. Approval of 09/10 operating budget

8. Adjourn

During Public Comment Open Forum, you may speak to the Board on any item that is on the agenda, and you may also speak on items that are not on the agenda. Please write your name and contact information on the Open Forum speaker list provided to the public, if you wish to address the Committee. Each speaker has three (3) minutes to speak. Please be advised that, by law, the Board is unable to discuss or take action on issues presented during Open Forum. According to State Law (the Brown Act) items must first be noticed on the agenda before any discussion or action. THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE: Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice. REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY: The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed. SPECIAL PRESENTATIONS MAY BE MADE: Notice is hereby given that, consistent with the requirements of the Open Meeting Act, special presentations not mentioned in the agenda may be made at this meeting. However, any such presentation will be for information only. REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY: Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting of the Governing Board may request assistance by contacting Aned Sanchez: 408-286-3330.



Rocketship Mateo Sheedy Elementary School



Instructional Calendar 2009/2010 School Year

July 2009 0						January 2010 14, 4					
M	T	W	T	F		M	T	W	T	F	
		1	2	3	0					1	
6	7	8	9	10	0	4	5	6	7	8	3, 1m
13	14	15	16	17	0	11	12	13	14	15	4, 1m
20	21	22	23	24	0	18	19	20	21	22	3, 1m
27	28	29	30	31	0	25	26	27	28	29	4, 1m
August 2009 1						February 2010 14, 3					
M	T	W	T	F		M	T	W	T	F	
3	4	5	6	7	0	1	2	3	4	5	4, 1m
10	11	12	13	14	0	8	9	10	11	12	3
17	18	19	20	21	0	15	16	17	18	19	3, 1m
24	25	26	27	28	0	22	23	24	25	26	4, 1m
31					1						
September 2009 17, 4						March 2010 17, 4					
M	T	W	T	F		M	T	W	T	F	
	1	2	3	4	3, 1m	1	2	3	4	5	3, 1m
7	8	9	10	11	3, 1m	8	9	10	11	12	4, 1m
14	15	16	17	18	4, 1m	15	16	17	18	19	4, 1m
21	22	23	24	25	4, 1m	22	23	24	25	26	4, 1m
28	29	30			3	29	30	31			2
October 2009 17, 5						April 2010 13, 4					
M	T	W	T	F		M	T	W	T	F	
			1	2	1, 1m				1	2	1, 1m
5	6	7	8	9	4, 1m	5	6	7	8	9	0
12	13	14	15	16	4, 1m	12	13	14	15	16	4, 1m
19	20	21	22	23	4, 1m	19	20	21	22	23	4, 1m
26	27	28	29	30	4, 1m	26	27	28	29	30	4, 1m
November 2009 12, 3						May 2010 16, 4					
M	T	W	T	F		M	T	W	T	F	
2	3	4	5	6	4, 1m	3	4	5	6	7	4, 1m
9	10	11	12	13	1, 1m	10	11	12	13	14	4, 1m
16	17	18	19	20	4, 1m	17	18	19	20	21	4, 1m
23	24	25	26	27	2	24	25	26	27	28	4, 1m
30					1	31					
December 2009 11, 3						June 2010 9, 5					
M	T	W	T	F		M	T	W	T	F	
	1	2	3	4	3, 1m		1	2	3	4	3, 1m
7	8	9	10	11	4, 1m	7	8	9	10	11	4, 1m
14	15	16	17	18	4, 1m	14	15	16	17	18	2, 3m
21	22	23	24	25	0	21	22	23	24	25	
28	29	30	31		0	28	29	30			

Total: 141, 39m

 —Parent Conferences/Report Cards
 —Professional Development

 —No School
 —Minimum Day

 —First/Last Day

Rocketship Rocketeers: Soaring Towards Excellence! Aspirando Hacia la Excelencia!



Rocketship Schools
2009-2010 Instructional Minutes Calculator

KINDERGARTEN

Day Types	A	B	C	D	TOTALS	REQUIRED	DIFFERENCE
Day Description	Regular		Minimum				
Total Number of Days	131		49		180		180
Start Time	8:00 AM		8:00 AM				
End Time	3:40 PM		2:00 PM				
Excess Passing Time Minutes					0		
Recess & Lunch Duration	40	0	40	0	80		
Learning Lab Duration	100		80		180		
Total Number of Hours	7:40	0:00	6:00	0:00	13:40		
Total Daily Number of Minutes	460	0	360	0	820		
Actual Daily Instructional Minutes	320	0	240	0	560		
Annual Number of Minutes	41,920	0	11760	0	53,680	36,000	17,680

NOTES
For the case of RSED, Learning Lab, Recess, Lunch & Passing Time are not included in the Instructional Minutes. Recesses are considered instructional activity for Kindergarten and therefore may be counted as instructional minutes. Passing time may not exceed 10 minutes. A 'Lunch Passing Time' is not appropriate for elementary school

GRADES 1 - 3

Day Types	A	B	C	D	TOTALS	REQUIRED	DIFFERENCE
Day Description	Regular		Minimum				
Total Number of Days	141		39		180		180
Start Time	8:00 AM		8:00 AM				
End Time	3:40 PM		2:00 PM				
Excess Passing Time Minutes					0		
Recess & Lunch Duration	40	0	40	0	80		
Learning Lab	100		80		180		
Total Number of Hours	7:40	0:00	6:00	0:00	13:40		
Total Daily Number of Minutes	460	0	360	0	820		
Actual Daily Instructional Minutes	320	0	240	0	560		
Annual Number of Minutes	45,120	0	9360	0	54,480	50,400	4,080

NOTES
For the case of RSED, Learning Lab, Recess, Lunch & Passing Time are not included in the Instructional Minutes. Recesses may not be counted as instructional minutes. Passing time may not exceed 10 minutes. A 'Lunch Passing Time' is not appropriate for elementary school

GRADES 4 - 6

Day Types	A	B	C	D	TOTALS	REQUIRED	DIFFERENCE
Day Description	Regular		Minimum				
Total Number of Days	141		39		180		180
Start Time	8:00 AM		8:00 AM				
End Time	4:00 PM		2:00 PM				
Excess Passing Time Minutes					0		
Recess & Lunch Duration	40	0	40	0	80		
Learning Lab	100		80		180		
Total Number of Hours	8:00	0:00	6:00	0:00	14:00		
Total Daily Number of Minutes	480	0	360	0	840		
Actual Daily Instructional Minutes	340	0	240	0	580		
Annual Number of Minutes	47940	0	9360	0	57300	54000	3300

NOTES
For the case of RSED, Learning Lab, Recess, Lunch & Passing Time are not included in the Instructional Minutes. Recesses may be counted as instructional minutes. Passing time may not exceed 10 minutes. A 'Lunch Passing Time' is not appropriate for elementary school

Principal

CEO

Board of Directors, Chair

Date:

Date:

Date:

June 23, 2009

John Danner
550 Kingsley Ave
Palo Alto, CA 94301

Re: Chief Executive Officer, Rocketship Education

Dear John:

We would like to extend this offer for the Chief Executive Officer position with Rocketship Education, beginning July 1, 2009. All employment with Rocketship will be on an at-will basis. Your gross salary will be \$130,000, calculated on a per annum basis and paid semi-monthly. Additionally, you will have the opportunity to earn an additional \$20,000 performance bonus annually based on your attainment of established objectives to be determined and agreed upon by the Rocketship Education Board of Directors.

We hope that you find the opportunity to create an entirely new way of reaching the most at-risk children as exciting as we do, and decide to join us as a Rocketship team member and administrator.

Because of the time-sensitive nature of the duties and responsibility of this position, this offer is valid for ten days. To accept and finalize this offer, please sign below.

Sincerely,

Don Shalvey
President, Rocketship Education Board of Directors

Accepted:

John Danner

June 23, 2009

Cat Alexander
559 Homer Ave
Palo Alto, CA 94301

Re: Chief Operating Officer, Rocketship Education

Dear Cat:

We would like to extend this offer for the Chief Operating Officer position with Rocketship Education, beginning July 1, 2009. All employment with Rocketship will be on an at-will basis. Your gross salary will be \$120,000, calculated on a per annum basis and paid semi-monthly. Additionally, you will have the opportunity to earn an additional \$20,000 performance bonus annually based on your attainment of established objectives to be determined and agreed upon by the Rocketship Education Board of Directors.

We hope that you find the opportunity to create an entirely new way of reaching the most at-risk children as exciting as we do, and decide to join us as a Rocketship team member and administrator.

Because of the time-sensitive nature of the duties and responsibility of this position, this offer is valid for ten days. To accept and finalize this offer, please sign below.

Sincerely,

Don Shalvey
President, Rocketship Education Board of Directors

Accepted:

Cat Alexander



Board Retreat Agenda

June 23, 2009

8:30 a.m. – 12:30 p.m.

The Health Trust

2105 S. Bascom Ave., Suite 220

Campbell, CA 95008

Dana Powell Russell Ed.D., Facilitator

Mobile: 408.373.8879

PLEASE NOTE DOCUMENTS TO REVIEW IN ADVANCE OF THE RETREAT. THESE DOCUMENTS ARE PROVIDED IN THE ATTACHED PDF PACKET, UNLESS OTHERWISE INDICATED.

TOPICS	REVIEW IN ADVANCE	PROCESS	OUTCOMES
San Jose 2020 30 minutes	San Jose 2020.doc	Discuss the project, its goals, and the value to RSED and San Jose.	Informational/advisory, no formal board action required.
10 Year Plan 60 minutes	Rocketship Board Offsite - 10 Year Plan.xls	Discuss specifics of 30% growth rate, cities we will be working with, and staffing.	Informational/advisory, no formal board action required.
Operating Model 15 minutes	Rocketship Board Offsite - Operating Model.doc	Discuss current operating model and if we think it is correctly formulated to enable us to meet our student achievement goals and scale at 30% per year.	Informational/advisory, no formal board action required.
LaunchPad 30 minutes	LaunchPad business plan will be disseminated to the board via email on Friday, June 19.	Alex Terman will present the business plan for LaunchPad, a spin out of RSED's real estate unit. Discuss model in which RSED focuses on operating schools and LaunchPad develops real estate.	Informational/advisory, and potential board action to accept business plan and pursue further development of LaunchPad.
2009-2010 Objectives & Budget 45 minutes	Rocketship 09-10 Objectives.doc Enrollment Projections_053109.doc	Review strategic objectives, updated with new objectives in Politics, Fundraising, Real Estate, and People. Compare model enrollment vs. projected 09-10 enrollment, and what RSED can do to help the schools attain best achievement and staff life.	Informational/advisory, and request board action to accept revised objectives and proposed budget for 2009-2010.
Board Development 60 minutes	Rocketship Board Offsite - Board Development.doc	Discuss need to expand the board to maximize our chances of achieving our mission.	Informational/advisory, and request board action to revise committee structure, recruit new members, and set quarterly meetings.

San Jose 2020: Closing the Achievement Gap for 60,000 kids this decade

San Jose currently has 120,000 school children in grades K-12. Currently, 60,000 of these children are not achieving grade level proficiency¹. These children have very little chance of graduating from four year colleges. It is the joint vision of the City of San Jose, Santa Clara County Office of Education, the city's most impacted school districts, and charter school leaders to join together to eliminate the achievement gap between these students and the rest of San Jose by 2020. School districts and charter agencies in San Jose will be encouraged to sign a **Compact to Eliminate the Achievement Gap by 2020** by all means possible.

Leadership

This effort is being led by Chuck Weis, Ph.D., the Santa Clara County Superintendent of Schools, in partnership with Mayor Chuck Reed of the City of San Jose.

Theory of Change

We intend demonstrate to the nation how an urban setting like San Jose, with no ethnic majority and multiple world languages, can be transformed to provide educational equity for all students. We will expand the scope of a combination of smaller scale approaches that are already working in San Jose. The primary levers for change are focused intervention work in existing Pre-K through 12th grade district schools and the creation of new pre-kindergarten through 12th grade schools, both scaling up existing high-performing charter school networks and through the creation of new small autonomous schools within school districts.

New Small Autonomous Schools – Several districts, including San Jose Unified, Franklin McKinley and Alum Rock Union School District, have developed small district schools with charter-like autonomies. These schools are the result of an RFP process through which districts offer teacher- and community-led design teams the opportunity to design and implement a new school. The San Jose small schools currently in existence are among the strongest district schools in the city; for example, in Alum Rock, the small autonomous elementary and middle schools have the highest test scores in the district. These schools have been operational since 2004 and are now mature enough to be replicated city-wide. There are several community-based organizations in San Jose which have provided design and technical support to the small schools and are poised to work with districts to launch a new group of schools.

Charter Schools – Within San Jose, about half of the under-served students are clustered in a small set of neighborhoods. These students account for many of the 34 schools currently under federal Program Improvement in San Jose. San Jose is also fortunate to have some of the highest-performing charter schools in the country. KIPP, Downtown College Preparatory, ACE Public Schools and Rocketship Education are all operating one or more high-quality charters and are interesting in replicating this success into multiple schools.

¹ Based on multiple measures of performance including the California Standards Test

School-level Intervention

There have been several successful intervention strategies used to turn around schools. These include San Jose Unified's work with Partners in School Innovation. There is also a growing interest in applying best-practices from successful new schools to existing district schools. Instructional strategies in these schools are based on the most recent research of promising practices for closing the achievement gap. As part of San Jose 2020, we will turn critical components of successful schools into programs which can be delivered through after-school and intervention relationships with school districts.

As part of San Jose 2020, we will turn promising critical components of successful schools into programs which can be delivered through after school and intervention relationships with other school districts. Initiatives include longer school day, longer school year (including Saturdays), recognition and teacher incentives as critical components in establishing exemplary programs.

Applying research-based best practices for closing the achievement gap from schools and Districts throughout the region will serve to inform and better support underperforming schools throughout the state and nation.

Best Practice Model

San Jose Unified is the only school district in California to be recognized by the California Awards for Performance Excellence for their effective use of Baldrige data driven continuous improvement processes. The District has created models for how to systematically use data and results oriented cycles of inquiry. With the largest student data warehouse in the nation, San Jose Unified has capitalized on this vast data resource to close the achievement gap between white and Hispanic students by over 20%. Even though SJUSD was the first District in California to raise the high school graduation requirement to meet the rigorous University of California and California State University course entrance requirements, San Jose Unified's graduation rate remains well above the state and county average with their Latino student drop out rate 10 points below the statewide average.

Teachers are trained to access and use the District's extensive student data warehouse. The data warehouse provides formative/summative disaggregated assessment data by student, classroom and teacher and provides teams of teachers the tools to support high student expectations. Because of this work, and the assistance of Partners in School Innovation, over half of SJUSD's PI schools exited Program Improvement this past year. Other partners include Equal Opportunity Schools, the Education Trust, and the College Board. These organizations have worked successfully with District high schools to close the gap between white, Asian and Hispanic students taking higher level Advanced Placement courses. In 2008/09 school year alone, over 500 minority students have enrolled in AP or IB courses for a total of 65% participation.

With successful models as these already leading the way, San Jose 2020 will be able to turn critical components of these successful schools into programs which can be

delivered through after-school and intervention relationships with school districts throughout the region and state.

San Jose International Partnership - Three districts (East Side Union High School District, Evergreen Valley College and Franklin-McKinley School District) designed and implemented the College Connection Academy in 2007-2009. The Academy is one of two schools in the United States funded by the *Gates Early High School Initiative* designed to follow students from grade 7 through the first year of college. Students in the Academy will graduate with both a high school diploma and a one-year of college credit. The Academy is seamlessly managed and governed by two school districts and the community college district in San Jose.

Developing a world-class career education that is connected to high-level core academics is an integral part of the students' education in the Academy. Working with the Scottish Qualification Authority-SQA, the San Jose International Partnership implemented SQA's *Skills For Work* program, 'Going Green' energy careers, for the first cohort of students. In subsequent years, other *Skills For Work* modules will be designed in conjunction with SQA in critical San Jose/Silicon Valley career fields such as construction/design, energy/ecology, engineering and technology, allied health fields, public service and the Arts.

Key design features in the College Connect Academy include:

- College preparatory curriculum that emphasizes real-life applications
- Technology enhanced training and collaboration among teachers to drive student achievement
- Career education and exploratory experiences based on SQA models, modified to meet San Jose and Silicon Valley needs
- College-level career and technical classes that are taught on a community college campus
- Civic leadership and service-learning as an integral part of the students learning experiences

Recently, the San Jose International Partnership has been asked to submit a proposal to Gates as one of their regional *P-16 Creating College Culture* initiatives in California.

Measurement

We intend to contract with EdTrust West to create a study which measures the critical inflection points in student careers, including partnering with San Jose State to measure students' college outcomes. The study would be intended to understand which approaches in the above are most effective in closing the achievement gap at each phase of a student's career and where we should invest future resources.

Funding

This coalition is looking to fund these significant new efforts at scaling up success through three sources of funding: City of San Jose, a federal “Race to the Top” grant, and private philanthropy.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Max	
Schools												
San Jose	2	3	4	6	8	10	13	17	21	27	30	30
East Palo Alto			1	1	1	2	2	2	3	3	4	5
San Francisco					1	1	2	2	3	5	7	20
Oakland						1	2	3	5	7	10	30
Richmond							1	2	3	5	5	5
Other (Hayward, Rdwd City)								1	2	3	7	10
Total Schools	2	3	5	7	10	14	20	27	37	50	63	
30% growth				7	10	14	19	26	35	47	63	
Revenues	6,000,000	11,000,000	18,000,000	26,000,000	37,000,000	52,000,000	74,000,000	101,000,000	138,000,000	187,000,000	239,000,000	
Expenses												
RSED (15%)	900,000	1,650,000	2,700,000	3,900,000	5,550,000	7,800,000	11,100,000	15,150,000	20,700,000	28,050,000	35,850,000	
Facilities (20%)	1,200,000	2,200,000	3,600,000	5,200,000	7,400,000	10,400,000	14,800,000	20,200,000	27,600,000	37,400,000	47,800,000	
Schools (65%)	3,900,000	7,150,000	11,700,000	16,900,000	24,050,000	33,800,000	48,100,000	65,650,000	89,700,000	121,550,000	155,350,000	
Total Expenses	6,000,000	11,000,000	18,000,000	26,000,000	37,000,000	52,000,000	74,000,000	101,000,000	138,000,000	187,000,000	239,000,000	
Teachers	28	44	72	104	148	208	296	404	552	748	956	
Previous Year Non-Corps Teac	6	13	20	32	45	64	90	128	173	237	320	
TFA Corps Members	12	20	32	48	68	96	136	188	256	348	452	
New Teacher Recruits	10	11	20	24	35	48	70	88	123	163	184	
RSED Personnel	6	11	18	26	37	52	74	101	138	187	239	
Exec	2	2	3	4	5	6	6	6	6	7	9	
Operations	3	5	7	9	14	20	26	32	38	48	56	
Achievement	0	1	3	6	8	10	13	17	21	25	28	
Communications	0	0	0	0	0	2	4	6	8	10	12	
Regional	2	3	5	7	10	14	16	20	23	27	31	
Total	7	11	18	26	37	52	65	81	96	117	136	

Rocketship Board Offsite

Description of Rocketship's Scalable Operating Model

- 1. Rocketship saves our schools approximately 15% of their operating costs by reducing the need for teachers. (use slide from last year)**
- 2. Rocketship keeps 10% of this savings and gives the school 5% to improve performance. This is generally used to hire an academic dean, raise salaries, provide principals with a full year of professional development/etc.**
- 3. Overall, Rocketship charges a 10% management fee, 5% licensing fee (brand and model), and a 20% facilities fee. Management fee is standard, licensing and facilities are the areas where the 10% savings is applied.**
- 4. With these additional fees, Rocketship can afford to build new buildings for each school and pay for all other school startup costs without the need for additional philanthropy.**

LaunchPad Discussion Rocketship Education Board Offsite June 23, 2009

1

Situation

- We need a replicable and scalable facilities strategy in order to meet our growth objectives
- Rocketship desires site control and/or ownership to create stability and permanence
- Proposition 39 and state bond-funded facilities are not viable options except in rare circumstances
- Real estate is a major distraction for RSED management and requires distinct skills and staffing
- Restrictions of the SB740 facility subsidy program have encouraged most CMO's to place real estate assets in a separate legal entity
- There is strong demand among CMO's to outsource real estate development, but few viable options exist and none have reached significant scale
- **Recommendation: create LaunchPad, a non-profit real estate development organization, to manage all facilities development and financing efforts for RSED**

2

LaunchPad Pros/Cons

- **Advantages**
 - Allows RSED management to focus more time/energy on academic achievement
 - Provides some additional liability protection to RSED
 - Insulates RSED from potential financial risk of failed projects
 - May allow simpler RSED organizational structure (single 501c3)
 - Provides a more attractive vehicle for facilities financing
 - May open up additional sources of philanthropy
- **Disadvantages**
 - Complexity of creating, managing, and governing an additional corporate entity
 - Some loss of control and flexibility
 - Possibility that fundraising efforts will cannibalize RSED
 - If LaunchPad serves other charter schools, it may be difficult to balance Rocketship's needs with those of other customers

3

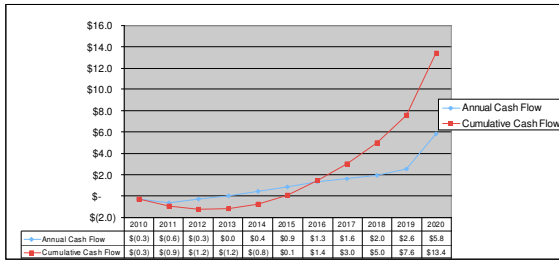
LaunchPad Strategy

- LaunchPad will seek long-term ownership of properties
- Whenever possible, projects will be based on pre-approved modular designs to speed development and minimize costs (seek to outsource complex rehab projects to PCSD or others)
- LaunchPad will charge relatively high facilities fees; the profit margin will be used to finance new facilities and cover LaunchPad operating costs, reducing the need for RSED subsidies or philanthropy
- Initial financing will be through CDFI's, maximizing use of government subsidy programs; we will seek tax exempt bonds in the future
- Initially LaunchPad will only serve Rocketship, but eventually may evolve to serve other CMO's

4

LaunchPad Financials

- RSED would need to contribute or fundraise \$1.2 million in startup funding
- Becomes cash flow positive in 2013
- We may be able to reduce the facilities fee over time due to economies of scale, better financing terms (higher LTV, investment grade bond rating)



5

Impact on RSED

- Real estate staff, assets, and liabilities would transfer to LaunchPad
- RSED controller hiring spec may change, as one of LaunchPad's first hires would be a controller with deep real estate experience
- Financial impact
 - Separate real estate entity (supported by 20% facilities fee) has already been incorporated into our long-term forecast
 - Investment of about \$1.2 million for LaunchPad startup costs over 3 years (most of this amount would have been spent on down payments)
 - Some incremental costs (legal, staffing) to organize LaunchPad
 - Some loss of financial flexibility: more difficult to recapture facilities fee surpluses if needed by RSED for other purposes
 - RSED will probably have to pledge school revenue streams or provide guarantees for initial LaunchPad facilities financings
- Potential simplification of RSED legal structure (one 501c3 for all schools; further research is needed)

6

Next Steps

- Start CEO search
- Legal work to establish LaunchPad, revise loan/lease agreements, determine impact on RSED legal structure
- Determine how to preserve "public agency" status of projects (DSA/CEQA)
- Explore preferred partnership with NCB or other CDFI's for facilities financing
- Explore partnership with PCSD for outsourcing of complex rehab/conversion projects
- Detailed business plan and financial projections (after CEO is identified)

7

ADDITIONAL BACKGROUND INFORMATION

8

Recommended Legal Structure

- Form LaunchPad as a 501c3 supporting organization
- Create individual LLC's for each property with LaunchPad as the sole member (avoid covenants or guarantees that could complicate subsequent financings)
- House real estate staff and operations within LaunchPad
- Allow LaunchPad to capture excess cash flow of all LLC's (preserves option of financing at the LaunchPad level which is likely to achieve a better bond rating)

9

Development Strategy

- Projects to be developed by LaunchPad
 - Purchase or long-term lease of raw land
 - Can potentially use school district property under a long-term lease granted in lieu of Prop 39 facilities
 - Building design based on a proven template
 - Consistent development team/partners (architect, engineers, builder, legal, environmental, etc) across multiple projects
- Projects to be outsourced to others (with LaunchPad oversight)
 - Conversions/rehabs of existing buildings
 - Multi-school complexes
 - More challenging projects (entitlements, environmental issues)
 - Outsourcing options:
 - PCSD (they are expanding to Northern California and are interested in partnering with us)
 - Private developers

10

LaunchPad Financial Projections

- Assumptions:
 - 50 schools by 2020, 2500 schools by 2034
 - 20% facilities fee (charged on all revenue)
 - Average project size: \$7.2 million
 - NMTC financing at 95% LTV, 5% interest, 1% closing costs, 7 year term (refinanced with tax exempt bonds)
 - Growth, enrollment, ADA, revenue, and CPI assumptions from RSED long-term model

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Financing Strategy: Phase One

- CDFI's are our best option while our growth rate remains modest (and until the bond market recovers)
- Structure "preferred partnerships" with major CDFI's such as NCB that have NMTC allocations and access to additional capital. Establish a deal template that can be easily replicated to reduce transaction time and costs.
- Maximize LTV and minimize interest rates through multiple credit enhancements
 - Apply directly to USDOE for credit enhancement funds
 - Seek out foundation PRI's and/or loss reserves
- At end of term, we would seek to refinance NMTC loans with tax exempt bonds

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Financing Strategy: Phase Two

- Our first use of bonds will likely be takeouts of individual NMTC deals
- As we approach 2020, our accelerating growth rate will probably outstrip CDFI capacity and subsidy programs
- Tax exempt bonds are our best financing option at scale:
 - Can borrow 100% or more of project cost
 - Low interest rates due to tax exemption
 - Scalable market, does not depend on finite subsidy programs
 - Can achieve economies of scale by combining multiple projects
- LaunchPad can establish its own credit enhancement reserve pooled from multiple LLC's
- Goal is to achieve an investment grade bond rating and strong track record, which should allow us to raise significant funding up front to support the growth plan

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Civic Builders Business Model

- Civic Builders (multiple models):
 - At risk developer of charter facilities
 - Long-term ownership of properties (part of mission: CB can terminate lease if charter doesn't deliver academic performance)
 - Leases may have some profit margin built in
 - Refinancing to pull equity out of projects
 - Developer for hire ("cost plus")
 - CB develops facilities for CMO's using CB capital
 - CMO pays CB a rate of return on CB equity invested in the project
 - CMO gets economic benefit of the property.
 - Public/private partnership
 - CB develops charter facilities for NY Dept of Ed (\$250 million facilities fund)
 - CB collects developer fees and property management fees ¹⁴

PCSD Business Model

- CMO puts \$100K at risk for pre-development (PCSD funds other \$200K). The CMO normally is not required to contribute equity into the project.
- PCSD invests 20% equity in each project in order to secure financing and reduce debt service (PCSD has raised \$40 mm of philanthropic equity and is beginning a capital campaign for an additional \$40 mm)
- Lease amount is a pass-through of debt service, (CMO can usually access SB740 facilities funding)
- PCSD encourages CMO to purchase facility as soon as possible, so PCSD can recycle equity for new projects
- PCSD charges 5% development fee to cover staffing costs (3% up front, 2% upon sale)
- PCSD project managers typically handle two projects at a time (one opening this year, one next year)

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Rationale for Seeking Non-Profit Status for LaunchPad

- Required to access certain government subsidies
- Exemption from property taxes
- Exemption from capital gains taxes (when selling properties at a profit)
- Access to tax exempt bond market
- Access to philanthropy to fund startup and operating costs
- Avoids potential scrutiny and political vulnerability of a for-profit organization

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Should LaunchPad Serve Multiple CMO's or only Rocketship?

- LaunchPad's default business model may not be attractive for other CMO's given high ongoing facilities fee
 - Rocketship has a unique financial model and is willing to subsidize future growth via LaunchPad
 - LaunchPad may need to offer other pricing options as well as buy-out option
- Does serving other CMO's contribute to achieving Rocketship's mission?
 - Allows LaunchPad organization to scale up faster?
 - Contributes to better quality or lower cost facilities?
- Recommendation: LaunchPad should develop solid team, systems, and initial track record before seeking other customers

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Demand for LaunchPad Services

- Several Bay Area CMO's (DCP, ACE, Beacon) are interested in partnering with LaunchPad and can afford to pay about 12% of revenue for facilities
- KIPP is interested but can afford 8% max
- CMO's are generally interested in turnkey facilities solutions as well as assistance renovating facilities received under long-term Prop 39 deals
- Some were not interested in LaunchPad: Aspire is closely aligned with PCSD, Magnolia wants plans to run real estate in-house
- Los Angeles CMO's would welcome a PCSD competitor

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2009-2010 Budget Summary by Business Unit

(Schools, Natl. Office & Real Estate)

RSED NATIONAL	BUDGET
Consolidated Summary	2009-2010
# of Schools	2
# of Regions	1
# of Enrolled Students	878
All School Units	
Revenues	\$7,013,390
Expenses	
Management & Facility Fee	\$2,034,880
All other operating expenses	\$4,806,469
Other Outgo	\$97,907
Total Expenses	\$6,939,256
School Cash Flow Adjustments	\$4,081
Total School Cash Surplus / Deficit	\$78,215
RSED (National & Regions)	
Revenues	
School Services Revenues	\$870,391
Fundraising Revenues	\$400,000
Total Revenues	\$1,270,391
Expenses	\$1,465,163
Cash Flow Adjustments	\$7,879
Total RSED Cash Surplus / Deficit	\$(186,893)
Real Estate	
Revenues	\$1,197,529
Expenses	\$1,371,284
Cash Flow Adjustments	\$(5,966,497)
Total Real Estate Surplus / Deficit	\$(6,140,252)
RSED ORGANIZATION	
TOTAL CHANGE IN CASH	\$(6,248,930)
Beginning Balance	\$6,489,229
ENDING CASH BALANCE	240,299

2009-2010 Budget Assumptions & Drivers

	RMS	RS2
Enrollment / ADA	462 / 435	426 / 401
Average \$ per ADA	\$7,288 <i>(-18% vs. 08/09)</i>	\$6,425 <i>(-28% vs. RMS 08/09)</i>
# Teachers	15	13
Average Teacher Salary	\$56,573	\$54,725
# Non Teaching	3	3
Average Non-Teaching Salary	\$78,888	\$76,000
Management & Licensing Fee*	\$400K <i>(12% in 08/09, 3% "forgiven)</i>	\$400K <i>(14% in 08/09, 1% "forgiven)</i>
Facility Fee **	\$700K	\$500K

*Typical % Fee breakdown in general is:

- 10% Management Fee
- 5% Licensing Fee
- 20% Facility Fee

20% Facility "Rent" is based on "total annual revenue." We understand that we will not be able to take the fee from restricted dollars, which may result in an increased % of "unrestricted" dollars

**All facility "fee" revenue goes to the LLC and does not get incorporated into RSED operating revenue

2009-2010 Budget Impacts on School Enrollment

ROCKETSHIP MATEO SHEEDY

- **08/09 Revenue Per Pupil: \$8,941**
- **09/10 Revenue Per Pupil: \$7,288 (-18% vs. 08/09)**

	“Typical” Rocketship School Model <i>School in its 3rd Year</i>	Enrollment with CA 2009-2010 Budget Cuts	Enrollment After Recommended Modifications <i>\$75K “Give back” from RSED</i>
Kindergarten	80 (20:1)	120 (30:1)	120 (30:1)
1st Grade	80 (20:1)	80 (20:1)	80 (20:1)
2nd Grade	80 (20:1)	80 (20:1)	80 (20:1)
3rd Grade	80 (20:1)	80 (20:1)	80 (20:1)
4th Grade	70 (24:1)	72 (24:1)	66 (22:1) *
5th Grade	60 (30:1)	30 (30:1)	26 (26:1) **
TOTAL	450	462	452

- ***4th Grade:** We currently have 56 3rd graders whom we expect to move on to 4th grade. We are proposing to not have to add 6 new 5th graders next year.
- ****5th Grade:** We currently have 32 4th graders, 22 of whom we expect to move on to 5th grade. We are proposing to not have to add 4 new 6th graders next year.

2009-2010 Budget Impacts on School Enrollment**ROCKETSHIP TWO**

- **08/09 Revenue Per Pupil: \$8,941 (RMS)**
- **09/10 Revenue Per Pupil: \$6,425 (-28% vs. 08/09 RMS Revenue)**

	“Typical” Rocketship School Model <i>School in its 1st Year</i>	Enrollment with CA 2009-2010 Budget Cuts
Kindergarten	80 (20:1)	120 (30:1)
1st Grade	80 (20:1)	116 (29:1)
2nd Grade	80 (20:1)	80 (20:1)
3rd Grade	80 (20:1)	80 (20:1)
4th Grade	0	30 (30:1) *
5th Grade	0	0
<i>TOTAL</i>	<i>320</i>	<i>426</i>

- *Melissa has elected to add this class of 30 4th graders (1/2 of whom are coming from LUCHA, 1/2 of whom are siblings of students in K-3)

2009-2010 Strategic Objectives (Budget Initiatives)

Area	09/10 Objective	Cost/Resources	Comments
Fundraising (John)	Raise profile with national funders in preparation for \$100M raise in 2014	\$0 (additional)	Use Hume Foundation grant to actively pursue speaking engagements at national conferences. Work on getting representatives of Walton, Broad, Fisher, Gates to visit schools this year.
	Use SJ2020 to add at least one new local funder for Rocketship	\$0 (additional)	
Politics (John)	Lay groundwork for Bay Area Expansion in 2011-12 (EPA, SF, Oakland, Richmond)	\$0 (additional)	Identify and work with local champions and community leaders in each city
	Create PAC relationship to give parents a way to work for pro-charter candidates in SCCOE elections in 2010	\$20K	Volunteer management will hopefully be provided by the ED of the SJ Charter Consortium
	Write white paper on Rocketship's approach to union contracts	\$0 (additional)	Focus on our compensation and promotion system, what Green Dot has negotiated, examine contract negotiations in NYC and DC
People (John)	Strengthen national TFA and CY relationships (John with help from Preston)	\$0 (additional)	Share Bay Area and national plan, find folks to take board seats
	Bring on 3 new board members in strategic areas (John)	\$12K	Areas to be defined in July-09 offsite
Real Estate (John)	Spin out LaunchPad	\$30K	Probably transfer of assets, but not currently anticipating significant upfront costs
Operations (Cat)	Create new Finance Team & Accounting System	\$0 (additional)	Hire a Controller, Bookkeeper, purchase/implement Accounting Software
	Finish multi-year financial model & 09/10 Monthly	\$0 (additional)	Hire Dr of Operations

	Reporting Budgets		
	Develop basic Rocketship Achievement Data (RAD) system	\$70K	Implement data director and define a small set of Excel models to develop which we can use to measure key metrics (API, RTI, Teacher gains, etc)
	Polish Rocketship Operational Data (ROD) system	\$0 (additional)	CALPADS and other operational reporting requirements
	Create Operations Toolkit	\$0 (additional)	Director of Operations responsibilities
	First pass structure for Rocketship Online Community (ROC)	\$10K	Teacher class videos and units plus Operations Toolkit
	IT – Server Free Schools	\$10K	Work out any remaining bugs in taking all schools server-free
	SPED – Systematize network-wide the SST and SPED programs	\$0 (additional)	Hire Rocketship RSP Director of SPED
	NSLP – systematize break-even and compliant school meals program	\$0 (additional)	Director of Operations
Achievement (Preston)	ROL - Optimize Riverdeep with pre and post tests and aligning curriculum to maximize Online learning	\$10K	Summer stipend
	RTI – Systematize curriculum and tutor training for interventions	\$0 (additional)	Depends on RAD
	Curriculum - Develop Default UbD units – Literacy/SS and Math/Science	\$0 (additional)	Depends on ROC
	Academic Deans – Develop systematic mentoring/PD system between ADs and teachers	\$15K	Coaching expenses
	Pipeline – Systematize recruiting and training of Principals	\$15K	Consulting expenses
	Teacher Recruiting – Develop outreach and	\$10K	Online teacher management system – helps Principals finish following year

	Teacher Recruiting – Develop outreach and interviewing system for new teachers	\$10K	Online teacher management system – helps Principals finish following year recruiting with 15% waiting list by April
	Student Recruiting – develop playbook	\$5K	Helps first-year Principals set goals and conduct recruiting to hit 320 student initial enrollment with 15% waiting list
	Parent Involvement – develop playbook	\$5K	Help new Principals make this a strength of their schools from Day 1
	Decrease class size (RMS) & Additional RtI tutors/Para-Professionals	\$150K	Reduce the number of “new” 4 th & 5 th graders required for RMS to break even & hire additional RtI tutors/Para-Professionals

*Other Achievement Options for the use of the \$150K:

- Reduce overall class size at RS2
- Increase RtI tutors, Para-professionals in both schools
- Return Professional Development & Enrichment into staff budget

Rocketship Board Offsite Board Development Matrix

Size: Keeping the board smaller for the first decade will be helpful for mission coherence. As we expand nationally, we are likely to end up with a very large board.

Frequency: Proposal is to move to quarterly board meetings with the Summer meeting being a required in-person offsite focused on setting strategic goals for following year. Fall meeting will be a review of Achievement results and discussion of strategy related to Achievement. The Winter meeting is most likely to focus on new school development and personnel. The Spring meeting is most likely to focus on the budget and ramifications for future years.

Committees: Proposal is to change name of Business Committee to Operations Committee and continue to meet monthly to review financials, discuss real estate, and other operational issues. When we have added additional board members in the Achievement and People areas, we would want to move the Achievement Committee from ad-hoc to regular meetings. Finally, we will need to use the Executive Committee more often to pass necessary resolutions and advise on short-term issues.

Geographic Locations: While it has been challenging for Eric to phone in to board meetings, we believe that specific skill sets like Eric's are crucial and that we should draw nationally. Since the Board will eventually be national, getting used to teleconference meetings is probably the best strategy.

Diversity Goal: Rocketship will attempt to build a Board which includes community members representing the ethnicities and areas we serve.

Skill Sets:

	People – Teacher Recruiting, Teacher Development/ TAL, Leadership Selection, Leadership Training	Real Estate – finance, construction, school- specific issues	Politics – Bay Area, Union, Election, California	Achievement – Culture, Curriculum, Instruction, Assessment	Operations – Finance, Compliance, Facilities Maintenance, IT	Fundraising – Board members capable of influencing national and local funders	Scale
Eric		√			√	√	
Alex		√			√	√	
Don			√			√	√
Jen			√			√	
Fred				√		√	
Andrew					√	√	√
New Members	We would like to have at least one board member with expertise in TAL teacher development (probably a TFA'er) and one with Leadership	We should add additional board members with real estate experience.	We need state and national political players.	It would be very nice to have a KIPP person for culture and someone from Achievement First, Uncommon, or other elementary-	We need one or more charter or non-profit people here that has scaled an organization from \$10-100M.	We need to add a number of national board members with good philanthropic connections.	We need to add several for-profit board members with experience scaling businesses.

	Development expertise			focused organizations with strong achievement systems.			
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