

# **Exhibit 12**



## PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | June St. Clair Atkinson, Ed.D., *State Superintendent*

WWW.NCPUBLICSCHOOLS.ORG

August 16, 2013

**Certified Mail Receipt #: 7010 1870 0001 3420 5917**

Ms. Demyra McDonald-Hall, Board Chair  
Kinston Charter Academy  
2000 Martin Luther King, Jr. Blvd.  
Kinston, NC 28501

Mr. Ozie Hall, Principal  
Kinston Charter Academy  
2000 Martin Luther King, Jr. Blvd.  
Kinston, NC 28501

Dear Mr. Hall and Ms. McDonald-Hall:

This letter serves as written notification of our intent to recommend the State Board of Education initiate revocation of the charter for your school. G.S. 115C-238.29G grants the State Board of Education statutory authority to terminate a charter and enumerates those reasons. The legislated rationale for terminating a charter is incorporated into the signed charter agreement and is reiterated below:

- (1) Failure to meet the requirements for student performance contained in the charter;
- (2) Failure to meet generally accepted standards of fiscal management;
- (3) Violations of law;
- (4) Material violation the conditions, standards, or procedures set forth in the charter;
- (5) Two-thirds of the faculty and instructional support personnel at the school request that the charter be terminated or not renewed; or
- (6) Other good cause identified.

The Kinston Charter Academy has experienced financial difficulties and has failed to meet generally accepted standards of fiscal management. The information below provides a few of the issues, not an exhaustive list, illustrating the circumstances that compel the Department of Public Instruction to recommend that revocation is initiated for the Kinston Charter Academy:

- Multiple years of negative fund balances and cash flow issues.
- Failure to report, as required, to the Retirement Division of the NC Treasurer's Office for much of the 2012-13 fiscal year. These delinquent reports adversely affect employee access to retirement benefits,
- Failure to forward the required premium payments to the State Health Plan in the NC Treasurer's Office for much of the 2012-13 fiscal year. These delinquent payments adversely affect employee access to health benefits.
- Accrual of numerous financial penalties from the NC Treasurer's Office due to the delinquency in reporting and payments.

### OFFICE OF CHARTER SCHOOLS

Joel E. Medley, Ph.D., *Director* | joel.medley@dpi.nc.gov

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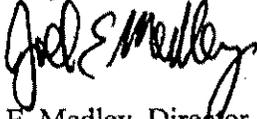
AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

These issues have resulted in Kinston Charter Academy's placement on Financial Disciplinary Status in 2012 and 2013. Due to the charter school's failure to pay and report promptly to the NC Treasurer for the State Health Plan and Retirement System, employees seeking benefits have been delayed. These actions by Kinston Charter Academy indicated that the charter school has not met reporting requirements and has failed to ensure that the needs of all teachers are being addressed. For that reason, the Office of Charter Schools issued a Governance Warning until this issue was rectified. At the time of this letter, the delinquencies by Kinston Charter Academy have persisted into the new fiscal year.

The Department of Public Instruction and State Board of Education, in fostering excellence in North Carolina's public charter schools, must protect taxpayer dollars and preserve the public trust. The issues outlined above are inconsistent with effective operation of a public charter school. Considering that no apparent corrective action has been implemented by the nonprofit board that holds the charter, the Department of Public Instruction intends to recommend to the State Board at its September meeting to initiate revocation in accordance with G.S. 115C-238.29G and the signed Charter Agreement.

Should you have any questions, please contact the Office of Charter Schools at 919-807-3491.

Sincerely,



Joel E. Medley, Director  
Office of Charter Schools

JEM/pg

c: June St. Clair Atkinson, Superintendent, NC Department of Public Instruction  
Philip Price, Chief Financial Officer, NC Department of Public Instruction  
Alexis Schauss, Director, School Business Services  
Katie Cornetto, State Board of Education Staff Attorney  
Laura Crumpler, Esq. Attorney General's Office