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10 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**
11 **IN AND FOR THE COUNTY OF MARICOPA**

12
13 STATE OF ARIZONA, *ex rel.* THOMAS
C. HORNE, Attorney General,

14 Plaintiff,

15 -vs-

16 EDUPRIZE SCHOOLS LLC, an Arizona
17 limited liability company,

18 Defendant.
19

Case No: CV2014-008860

**CONSENT JUDGMENT WITH
EDUPRIZE SCHOOLS LLC**

Assigned to the Hon. Colleen French

20 The State of Arizona, through its Attorney General, filed its Complaint in this action
21 on June 9, 2014, acting on behalf of the general welfare and economy of the State and
22 pursuant to A.R.S. § 42-1004(E). The Complaint alleges violations by EduPrize Schools
23 LLC of A.R.S. §§ 43-1089.01 and 15-342(24).

24 To resolve this matter, Defendant EduPrize Schools LLC and the State have agreed
25 to the entry of this Consent Judgment setting forth the following findings and ordering the
26 following relief.

- 1 j. "Fees" means the monetary charges assessed, in accordance with A.R.S. § 15-
2 342(24), by a school for a student's participation in extracurricular activities.
3 k. "Governing Board" means the members of the EduPrize's Governing Board.
4 l. "Person" means any natural person and any corporation, partnership, joint
5 venture, formal or informal association, and any other legal entity.
6 m. "State" means the State of Arizona, acting through its Attorney General.

7 FINDINGS

- 8 1. The causes of action alleged in this Complaint arose within Arizona. Defendant
9 EduPrize is an Arizona limited liability company operating charter schools in
10 Maricopa and Pinal Counties. The Plaintiff is the State of Arizona. Venue in
11 Maricopa County is proper for all claims pursuant to A.R.S. § 12-401(17).
12 2. This Court has jurisdiction, pursuant to A.R.S. § 12-1801, over the subject matter of
13 this action and over the parties stipulating to the entry of this Consent Judgment.
14 3. In 2013, the Attorney General commenced an investigation of EduPrize relating to its
15 collection and expenditure of ECA tax credit donations.
16 4. The Attorney General's investigation was conducted in accordance with and within
17 the scope of its statutory authority.
18 5. The AG's investigation concluded that EduPrize engaged in activities in violation of
19 the statutes governing ECA tax credit donations by, among other things:
20 a. informing donors that their ECA tax credit donations would be used for
21 ineligible items, such as technology;
22 b. using ECA tax credit donations for expenditures unrelated to eligible
23 extracurricular activities; and
24 c. directing parents to pay fees for extracurricular activities to private entities,
25 such as the EduPrize PTO.
26

1 6. EduPrize denies the foregoing allegations and does not admit any liability arising out
2 of the activities or occurrences that are the subject of the AG's allegations in the
3 Complaint.

4 7. To avoid the further expenditure of public funds in prosecuting and defending this
5 case, the State and EduPrize desire to resolve before the taking of any testimony,
6 without the adjudication or admission of any issue of fact or law, and without trial
7 the civil liability of EduPrize and have consented to entry of this Consent Judgment.

8 8. Based on the foregoing, upon the Complaint, and upon the Stipulation to Entry of
9 this Consent Judgment annexed below, the Court finds itself fully apprised.

10 NOW THEREFORE, it is hereby ORDERED, ADJUDGED AND DECREED AS
11 FOLLOWS:

12 APPLICABILITY

13 9. The terms of this Consent Judgment shall apply to EduPrize, its Governing Board,
14 employees, and agents. So long as this Consent Judgment is in effect, EduPrize shall
15 be responsible to ensure that its Governing Board, employees, and agents act in
16 conformity with the terms of this Consent Judgment.

17 TERM OF CONSENT JUDGMENT

18 10. Unless otherwise indicated, this Consent Judgment shall be in full force and effect
19 for twenty-four (24) months following its entry.

20 PROVISIONS

21 The following provisions of the Consent Judgment will be effective immediately
22 upon entry of the Judgment unless otherwise indicated:

23 11. EduPrize, its Governing Board, employees and agents shall comply with the statutes
24 governing ECA tax credit donations, A.R.S. §§ 43-1089.01 and 15-342(24), as
25 currently written or as amended in the future.
26

- 1 12. All fees required for a student's participation in an EduPrize extracurricular activity
2 shall be assessed only by EduPrize, shall be charged to the student, and shall be
3 included on EduPrize's publicly adopted fee schedule. Such extracurricular activity
4 fees shall not be assessed by or payable to the EduPrize PTO. EduPrize's fee
5 schedule shall include notification that the principals of each school site are
6 authorized to waive the assessment of all or part of a fee for a student if payment of
7 the fee would create an economic hardship for the student.
- 8 13. EduPrize shall revise its ECA tax credit receipt so that it informs donors that
9 donations in support of and payment of fees for extracurricular activities may qualify
10 for ECA tax credits, in accordance with A.R.S. § 43-1089.01. EduPrize shall provide
11 a copy of its ECA tax credit receipt to the AG.
- 12 14. Within ten days of the Court signing this Consent Judgment, EduPrize shall deposit
13 fifteen thousand dollars (\$15,000.00) into the ECA tax credit account at EduPrize
14 Gilbert and fifteen thousand dollars (\$15,000.00) into the ECA tax credit account at
15 EduPrize Queen Creek.
- 16 15. EduPrize shall ensure that the monies deposited per paragraph 14, any monies
17 currently held in the ECA tax credit accounts at its schools, and any new monies
18 deposited in those accounts, are only used for the purposes intended by the donors
19 and which are extracurricular activities that satisfy all of the statutory requirements.
20 EduPrize shall not spend any ECA tax credit donations for activities which fail to
21 satisfy the statutory requirements. In the event that EduPrize discovers an
22 inadvertent violation of this paragraph, EduPrize shall self-report that violation to the
23 AG within 5 days of its discovery and shall reimburse the ECA tax credit account of
24 the school the full amount of ECA tax credit donations which were improperly
25 expended.
26

- 1 16. No later than August 1, 2014, EduPrize shall create written guidance for and provide
2 training to the Governing Board and appropriate school administrators and
3 employees on the proper collection and expenditure of ECA tax credit donations.
4 EduPrize shall provide a copy of this written guidance to the AG no later than
5 August 15, 2014.
- 6 17. EduPrize shall perform a yearly internal audit of its ECA tax credit accounts,
7 examining ECA tax credit donation receipts and all ECA tax credit expenditures.
8 EduPrize shall prepare a written report of the ECA tax credit audit findings and
9 provide a copy of this report to the AG on or before March 15th of each year during
10 the term of this Consent Judgment.
- 11 18. EduPrize shall make a copy of the Consent Judgment available to the public at its
12 administrative offices.
- 13 19. No later than June 15th of each year during the term of this Consent Judgment and at
14 other times at the request of the AG, EduPrize shall submit a letter to the AG
15 evidencing compliance with the provisions of this Consent Judgment.
- 16 20. EduPrize shall self-report any violation of this Consent Judgment or of Arizona
17 statutes or rules relating to tax credits to the AG within five (5) business days of
18 discovery of any violation.
- 19 21. EduPrize shall fully cooperate with the AG in any ongoing investigation or
20 monitoring of EduPrize's compliance with this Consent Judgment and shall provide
21 access to its records and submit any supplemental reports requested by the AG.
- 22 22. Upon request of the AG, EduPrize shall submit such written reports, under oath if
23 requested, with respect to any of the matters contained in this Consent Judgment as
24 may be identified in the request. This requirement shall be in addition to any notice
25 or reporting requirements set forth in the preceding paragraphs.
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2 23. Nothing contained herein shall limit the rights of the State pursuant to its civil
3 investigative authority or the Attorney General's right to contest any claim of
4 attorney-client or work-product privilege relating to any matter that has or may arise
5 from any investigation by the AG into any acts or practices of EduPrize.

6 24. Nothing contained herein shall be deemed to be an admission of fault, wrongdoing,
7 or liability on the part of EduPrize or any of its Governing Board members,
8 employees or agents.

9 RELEASE AND SETTLEMENT OF CLAIMS

10 25. The Consent Judgment constitutes a full and complete release by the State and the
11 Attorney General with respect to the claims set forth in the Complaint.

12 26. Nothing in this Consent Judgment shall be construed to release or to confer any right
13 whatsoever on any person other than the State and EduPrize.

14 REMEDY ON DEFAULT

15 27. In the event EduPrize violates any provision of this Consent Judgment, the State may
16 move this Court for an order finding EduPrize in default, upon affidavits stating the
17 factual grounds therefore.

18 28. Upon the Court's order finding EduPrize in default, the Attorney General may
19 exercise all remedies available at law or in equity.

20 RETENTION OF JURISDICTION

21 29. Jurisdiction is retained by this Court for the purpose of enabling the State and
22 EduPrize to apply to the Court at any time for such further orders and directions as
23 may be necessary or appropriate for the construction or implementation of any of the
24 provisions of this Consent Judgment, for the enforcement or compliance herewith,
25 and for the punishment of any violations. Nothing in this provision shall give standing
26 to any person not a party to this Consent Judgment to seek relief related to it.

1 AGREEMENT OF THE PARTIES

2 30. The State and EduPrize have stipulated to entry of this Consent Judgment. All prior
3 oral or written agreements, commitments or understandings with respect to the
4 matters provided for herein are hereby set aside and no evidence of these shall be
5 admissible in any proceeding for any purpose absent written consent of all parties to
6 this Consent Judgment.

7 HEADINGS

8 31. Article headings contained in this Consent Judgment are inserted for convenience of
9 reference only, and shall not be deemed to be part of this Consent Judgment for any
10 purpose, and shall not in any way define or affect the meaning, construction or scope
11 of any of the provisions of it.

12 PUBLIC INTEREST

13 32. The Attorney General has determined entry of this Consent Judgment to be in the
14 public interest.

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16 DATED this _____ day of _____ 2014.

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20 _____
21 The Honorable Colleen L. French
22 Commissioner, Maricopa County Superior Court
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STIPULATION TO ENTRY OF CONSENT JUDGMENT

EduPrize Schools, LLC, by and through Dr. Lynn Robershotte, after having had the opportunity to consult with legal counsel about the terms of this Consent Judgment, and the Arizona Attorney General, on behalf of the State of Arizona, agree that the Consent Judgment may be entered by the Court forthwith.

DATED this 6th day of June 2014.

THOMAS C. HORNE
Attorney General


By Susan V. Myers
Assistant Attorney General

EDUPRIZE SCHOOLS, LLC


By Dr. Lynn Robershotte

eSignature Page 1 of 1

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Granted as Submitted



/S/ Dawn Bergin Date: 7/10/2014
Judicial Officer of Superior Court

ENDORSEMENT PAGE

CASE NUMBER: CV2014-008860

SIGNATURE DATE: 7/10/2014

E-FILING ID #: 5980387

FILED DATE: 7/14/2014 8:00:00 AM

SUSAN VERONICA MYERS

EDUPRIZE SCHOOLS L L C
NO ADDRESS ON RECORD