

Rocketship Education Tennessee
Charter Replication Application Supplement

Submitted to Metropolitan Nashville Public School District
April 1, 2013

EXISTING OPERATOR GENERAL INFORMATION

Does this applicant team have charter school applications under consideration by any other authorizer(s) in the United States? Yes No

If yes, complete the table below, adding lines as needed.

State	Authorizer	Proposed School Name	Application Due Date	Decision Date
TX	Texas State Board of Education	Rocketship Education Texas	Feb. 28, 2013	Sep. 2013

Provide the name and desired opening year for each school included in this proposal (*adding lines as needed*).

Proposed School Name	Opening Year	City or Geographic Community	Opening Grades	Grade Levels at Full Enrollment
Rocketship Education Tennessee	2014	Nashville, TN	K-5	K-5

Do any proposed schools intend to contract or partner with a not-for-profit education service provider (ESP) or other organization to provide school management services? *Tennessee law currently permits an operator to contract with non-profit service providers. It does not permit operators to contract with for profit service providers.*

Yes No

If yes, identify the ESP or other partner organization:

Rocketship Education (the applicant) will be both the charter holder and the management organization, therefore, there are not two distinct organizations that will have to form a management contract.

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Academic Plan Design and Capacity

Rocketship Education Tennessee's¹ (RSTN) academic plan will not deviate in any significant way from the academic plan of existing Rocketship schools. Please see the "Academic Plan Design and Capacity" in the charter application.

¹ Rocketship Education, a California nonprofit public benefit corporation, will file an Application for Registration of Assumed Corporate Name with the State of Tennessee to operate under the designation "Rocketship Education Tennessee".

Operations Plan and Capacity

Network Vision, Growth Plan, & Capacity

Mission and Vision

Rocketship Education (RSED) was founded in 2006 in San Jose, California, to promote the mission, vision and educational philosophy of a national network of high-performing charter schools. Rocketship Education's mission is to close the achievement gap nation-wide within our lifetimes. Establishing Rocketship Education Tennessee will help Rocketship achieve that mission. Rocketship's mission and core beliefs have led us to found our schools with the expressed purpose of serving low-income, at-risk students in order to close the achievement gap.

5 Year National Growth Plan

In Rocketship Education's efforts to achieve educational reform, we intend to demonstrate that the Rocketship Public School Model can be a vital, strategic contributor to the elimination of the achievement gap in high-need neighborhoods across the country. We are currently engaging with our first set of expansion cities and aspire to open clusters of schools in high-need regions across the nation, effectively changing the lives of 1 million students.

Over the next 15 years, Rocketship will open hundreds of schools across the United States, serving disadvantaged elementary school students. By operating at this scale, Rocketship will eliminate the achievement gap in each of the communities we serve while operating its schools solely and sustainably with traditional government funding.

In the next five years, Rocketship aims to open schools in ten new regions across the country. When selecting new regions, we assess the need by identifying how many at-risk students reside in the geographic area and then consider other factors such as political environment, charter-friendly legislation, and presence of a local Teach For America region. Nashville has remained high on our list of target regions based on the aforementioned factors as well as Metropolitan Nashville Public Schools support of recruiting high-performing charter networks to open schools in Nashville. In the next five years, we intend to operate schools where student achievement is significantly higher than surrounding schools. Ultimately, we hope to eliminate the achievement gap that exists between students from low-income communities and their peers from higher-income communities.

Rocketship 5 Year Expansion Plan-Total Open Schools Per Region					
	2012-2013	2013-2014 <i>(1 new region)</i>	2014-2015 <i>(1 new region)</i>	2015-2016 <i>(3 new regions)</i>	2016-2017 <i>(4 new regions)</i>
Bay Area	7	9	15	21	27
Milwaukee	-	1	2	3	5
Nashville	-	-	1	2	3
Region #4	-	-	-	1	2
Region #5	-	-	-	1	2
Region #6	-	-	-	1	2
Region #7	-	-	-	-	1
Region #8	-	-	-	-	1

Region #9	-	-	-	-	1
Region #10	-	-	-	-	1
Region #11	-	-	-	-	1
Total Per Year	7	10	18	29	46
Estimated # of Students	3,800	6,300	11,340	18,270	28,980

Demonstrated Capacity

The Rocketship Education Public School Model will bring the effective and proven model of blended learning instruction to students in Nashville, in order to collaborate with communities to eliminate the achievement gap in Nashville. As a partner with Nashville Public Schools, our founding team is excited to bring innovative, high-quality options to high-need areas throughout the city.

Currently, Rocketship Education has seven elementary schools in San Jose, California. With a network Academic Performance Index (API) of 855, Rocketship is California’s top performing school system serving low-income students. The founding group’s collective capacities in school leadership, governance, curriculum, business management, and parent and community engagement has fostered dramatic results for at-risk students in California. In order to realize Rocketship’s mission to eliminate the achievement gap, the founding group is energized by the opportunity to open and operate high-performing Rocketship schools in Nashville.

In order to eliminate the achievement gap in Nashville, we believe that RSTN must scale quickly, yet with a focus on quality. Nashville has been identified as a target city due to the widespread educational disparities that exist between students from low-income communities and their higher-income peers.

In order to bring Rocketship’s Public School Model to Nashville, RSTN must establish a regional structure that is financially sustainable as well as operationally efficient and effective. In order to build a solid foundation for our regional cluster in Nashville, we have developed a strategic plan that involves opening schools systematically to ensure both high quality and significant impact in the community. RSTN plans to open its first school in the fall of 2014 in Nashville.

Anticipated Challenges

Rocketship has devoted a significant amount of time planning the logistics of opening schools in Nashville. While we feel confident in our ability to successfully execute on this plan, there are three key challenges that we have identified as focus areas in our planning. The first challenge we face is leadership development. Rocketship is aware that a school is only as great as its leadership and the skill set of a school leader has an even greater impact when founding a new school. In order to mitigate this issue, we have continually developed our Network Leadership Program in order to build and expand our internal leadership pipeline that will produce highly qualified candidates for founding school leader positions in Nashville. In addition, we have been working with Teach For America and other national organizations to identify individuals who are interested in joining Rocketship’s Network Leadership Program in San Jose and then move to Nashville to assist our regional founder as instructional or administrative staff at our first school. While school leadership is still a significant risk, we believe that the steps we have taken in planning and recruitment will ensure a successful regional roll-out.

Another challenge we face as we look towards opening schools in Nashville is facilities acquisition. This is understandably one of the most significant challenges that all charter schools face across the country. Not only are a small number of existing school facilities in high demand, local zoning and development processes can make new construction or major renovations highly complicated with a long timeline. Rocketship is poised to successfully address the facilities challenge due to our collective experience and a deliberate new region startup timeline. As we are planning our national growth, we can build on our experience through the successful development of seven new-construction schools in San Jose, California. This experience will be very useful as we begin to analyze the real estate market in our target neighborhoods in Nashville and identify whether we will acquire existing facilities or begin the new-construction process. Additionally, Rocketship has recently developed a relationship with the Canyon-Agassi Charter School Facilities Fund, and may work with them to develop facilities for RSTN, as the group has identified Nashville as a target market for its own expansion.

Finally, there is always the financial risk of not being able to enroll enough students to make the schools financially sustainable. Indeed, this is a risk factor that any open-enrollment charter school faces. However, as detailed extensively below, Rocketship helps mitigate against this with an extended, 15 month start-up timeline, in addition to hiring Regional Office Staff to focus on preparing for the school opening in year 0. In particular, the Regional Director of Community Development will spend extensive time developing a robust recruitment strategy and begin engaging parents and the community well in advance of the school's opening.

Lessons Learned

In addition to the business and financial risks of opening up schools in Nashville, we have learned that the most significant barrier that exists to opening new schools is the lack of high-quality talent for leadership positions within our schools. In order to mitigate this issue, Rocketship has created the Network Leadership Program, which is a three year pathway for promising teachers to learn, practice, and refine leadership skills, all while internalizing the Rocketship Public School Model. We feel that by growing our leaders from an internal pipeline, we are able to gain several years of insight into the candidate's strengths and skill set and the candidate has several years to become familiarized with running a Rocketship school. That being said, several current Rocketship teachers, not to mention future recruits, have come from Tennessee and in addition to going through the Rocketship Leadership Development Program will also couple that expertise with local perspective and knowledge of the Nashville area. Indeed, RSTN's regional founding principal will be a Nashville native and we anticipate that several other members of the Regional Support Office, school leadership teams, and teachers will be from Nashville or the greater Tennessee region.

Another challenge the entire education industry faces is teacher attrition. We have addressed this using several strategies. The network leadership program provides a professional trajectory that few teachers are able to experience. This, coupled with higher compensation—averaging 20% above surrounding district's teacher salaries—helps our teachers feel rewarded for their hard work. Finally, through the Individualized Learning, we are able to provide structured time for students to have independent practice and remediation so that teachers can focus on higher-order thinking when conducting direct instruction. Each of these strategies helps motivate our teaching staff and keep them challenged in their roles without burning them out. As a result, the Rocketship network has an average of 90% of Teach For America corps members returning for a third year in the classroom after their initial commitment; twice the national average. For the 2011-2012 school year, the Rocketship network has an overall teacher retention rate of 82%. We believe this rate is a positive reflection of our program, while there is still room for improvement.

Ultimately, all of these inherent risk factors in starting new schools in Nashville, Tennessee is outweighed by the urgency of our mission. Closing the achievement gap for thousands of students who have been traditionally underserved, spurs Rocketship forward in establishing RSTN in order to bring the proven Rocketship Public School Model to Nashville. (Note: Rocketship does not currently produce traditional “annual reports”, and so we have included academic results data in lieu of annual reports as part of Attachment 1. Additionally, the Business Plan included in Attachment 1 is from 2010 and some of the information is out of date. Rocketship has not yet created a revised business plan).

Network Management

The network leadership team is referenced in the charter application in the “School Development” section. For centralized services that will be provided to schools by the Regional Support Office (RSO) please see the “Personnel/Human Capital” section.

Function	Network Decision-Making	School Decision-Making
Performance Goals	Goals are set at Regional Network level and reflect nat'l goals	Provide input into goal planning
Curriculum	Curriculum is national and locally customized by RSO	Feedback and refinement
Professional Development	Creates PD programming for schools	Executes PD and plans addl school PD
Data Management and Interim Assessments	National systems are provided to school, RSO helps consolidate data and assessments	Participates in data cycles and actively manages data
Promotion Criteria	Set by RSO	Makes determinations for individual students
Culture	There is a standard Rocketship culture.	Schools responsible for creating and fostering a positive school culture
Budgeting, Finance, and Accounting	Handled by RSO	Principal manages school budget, but leans heavily on RSO
Student Recruitment	Conducted by RSO and Rocketship parents	Assists RSO in recruitment
School Staff Recruitment and Hiring	Shared between RSO and individual schools	Shared between RSO and individual schools
H/R Services (payroll, benefits, etc)	RSO provides all these services	Communicates w/ RSO
Development/ Fundraising	Conducted primarily by National Office	No responsibilities
Community Relations	RSO primarily responsible	Schools responsible for connecting with parents and greater community

I/T	RSO provides this support	None
Facilities Management	RSO and National Facilities team provide this support	None
Vendor Management / Procurement	RSO and National Office provides most of this support	Schools provide input and some criteria for selection
Other operational services, if applicable		

Governance

Governance Structure

The governing board, of Rocketship Education, a California nonprofit public benefit corporation, will govern all schools granted under this application. However, the charter for each individual school may, if permitted under applicable law, be held by a limited liability corporation of which Rocketship Education is sole member. Please see the “Governance” section of the charter school application for information on how a parent will be recruited to join board.

For information on the size and composition of the Board, the power and duties, how Board will ensure educational success, please see the “Governance section” of the charter school application.

Charter Holder

The charter will be held by the existing non-profit organization, Rocketship Education. The Rocketship Education Governing Board of Directors will govern Rocketship Education Tennessee. That Board already governs charter schools in CA. The Board’s governing documents and board member competencies are appropriate for TN school governance, so the Board will not need to change its membership, mission, or bylaws. The only exceptions are that we will need to add an RSTN parent to the Board and also ensure that the Board receives one training per year that is certified by the Tennessee Charter Schools Association—both conditions which will be met prior upon school opening.

School Management Contracts

This section is not applicable as Rocketship Education (the applicant) will be both the charter holder and the management organization. Since there will be only a single legal entity, there will be no contract for services between the charter holder and management organization.

Personnel/Human Capital

Rocketship Education Tennessee is only seeking to gain a single charter school from MNPS.

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Number of elementary schools	1	1	1	1	1
Number of high schools	-	-	-	-	-
Total schools	1	1	1	1	1
Student enrollment	600	600	600	600	600
Management Organization Positions					
Managing Director	1	1	1	1	1

Regional Director of Business	1	1	1	1	1
Manager of Business	1	1	1	1	1
Regional Director of Achievement	1	1	1	1	1
Manager of Achievement	1	1	1	1	1
Regional Dir. of Community Development	1	1	1	1	1
Manager of Community Development	1	1	1	1	1
Director of ISD (Special Ed)	1	1	1	1	1
Speech Therapist	1	1	1	1	1
School Psychologist	As needed	As needed	As needed	As needed	As needed
Occupational Therapist	As needed	As needed	As needed	As needed	As needed
Total back-office FTEs	9	9	9	9	9
Elementary School Staff					
Principals	1	1	1	1	1
Assistant Principals	1	1	1	1	1
Academic Dean	1	1	1	1	1
Classroom Teachers (Core Subjects)	12	12	12	12	12
Instructional Learning Specialist	8	8	8	8	8
ISD Specialist (SPED)	1	1	1	1	1
ISD Paraprofessional	1	1	1	1	1
Teacher Aides (Support Staff)	1	1	1	1	1
School Operations Support Staff (Business Office Mgr)	1	1	1	1	1
Total FTEs at elementary schools	27	27	27	27	27
Total network FTEs	38	38	38	38	38

Staffing Plans, Hiring, Management, and Evaluation

Please see "Personnel/Human Capital" section in charter application for all this information including Rocketship Leadership Development program and pipeline.

Professional Development

Professional development will be designed and executed at all levels of the organization (national, regional, and school-site). Please see "Professional Development" section in charter application.

Performance Management

Please see “Performance Standards/Assessments/School Culture” in charter application for all educational, organizational, and student progress goals of Rocketship, as well as information on network dashboards used to monitor the performance of the entire Rocketship portfolio. Additionally, see the “Governance” section for information on how organization will monitor school performance.

Financial Plan and Capacity

Please see Attachments 4 and 5 below. For information on accounting systems and processes and independent audits, please see the "Budget Narrative" from the charter application.

Fundraising Goals and Development Plan

Rocketship Education does not have fundraising goals, a development plan, or development staff. Due to the unique blended learning model that Rocketship schools utilize, the schools do not need additional funding, aside from the per-pupil funding they receive, in order to operate schools. Thus, Rocketship does not have a development plan. The only fundraising needed, is \$3.5 million in start-up costs for a new region. Rocketship Education Tennessee has already secured commitments for this start-up funding.

Portfolio Review/Performance Record

High performing school: Rocketship Mateo Sheedy, San Jose, CA

Rocketship Mateo Sheedy (RMS), our flagship school, has been high performing since its inception. It has consistently outperformed California's standards for a good school, which it measures by Academic Performance Index (the metric used to score the California State Test) of 800. During last school year (2011-12), RMS had an API of 924, with 76% proficient in ELA and 93% proficient in math, whereas the neighboring school (Washington Elementary) had 54% of students proficient in ELA and 56% in math. California overall had about 59% of 2nd through 5th graders proficient in ELA and 67% proficient in math. RMS has also steadily improved the percent of students who meet growth expectations on the norm-referenced NWEA MAP test.

API Over Time

2007-08	891
2008-09	925
2009-10	925
2010-11	893
2011-12	924

As our flagship school, most students at Rocketship Mateo Sheedy (RMS) have been with Rocketship for multiple years and have benefited from multiple years of Rocketship instruction. The students are more familiar with the high expectations and culture of Rocketship and have had multiple years with which to fill deficits and gaps in understanding. The school also has an extraordinarily high amount of community support and parent involvement as it has proven to have a positive impact on the community.

As with all Rocketship schools, RMS serves a population of students that is overwhelmingly low-income and many students are English Language Learners. Additionally, RMS has dealt with some staffing turnover mid-year on two separate occasions.

As our flagship school RMS has contributed significantly to the professional development planning and "Vision of Excellence" for the entire network. In particular, RMS has modeled a system of intensive coaching around struggling teachers that has been adopted throughout the network.

Improving School: Rocketship Los Suenos, San Jose, CA

Rocketship Los Suenos (RLS) struggled in its second year during the 2011-12 school year, just missing the state's target of 800 API and performing worse than it did in its first year. RLS had an API of 793, with 43% of students proficient in ELA and 74% of students proficient in math, and missed our internal goal of 850 API for a year 2 school. One of RLS's neighboring schools (San Antonio Elementary) outperformed it in ELA proficiency, with 55% of students proficient, but was still behind in terms of math proficiency (62%). However, RLS students have had demonstrated strong growth on the norm-referenced NWEA MAP test: 72% of students exceeding growth expectations in reading and 78% in math. Across the country, on average 50% of students exceed growth expectations.

Essentially, Rocketship Los Suenos (RLS) lower scores were caused by a single grade level (3rd grade ELA) that led them to miss targets. These students had only been with Rocketship for one full year. Additionally, the school over relied on internal benchmarks and perceived efficacy of an experienced teacher to get them results and fell somewhat short of Rocketship's own high internal standard of achievement.

RLS has been provided with greater network resources and support to help them improve their results, as well as an increased organizational focus on ELA instruction. An external consultant has provided additional coaching for the school principal, and the Assistant Principal and Academic Dean have also received additional support from the Regional Director of Achievement. Perhaps most importantly, the school has focused its professional development on instructional leadership, particularly in the area of ELA. It has also begun using weekly, formative data to prevent to help catch gaps in student learning more frequently and prevent misconceptions about student achievement.

The expectation is that RLS will hit the network API goal of 875 (results from CST) that Rocketship sets for a third year or older school. While this is an ambitious goal that represents a significant improvement from RLS' scores from last year, we believe the increased support, focus on analyzing weekly data, and focus on literacy will lead RLS to achieve these goals.

Schools operating in Tennessee

Rocketship currently does not operate any schools within the state of Tennessee.

Existing Contracts Disputes or Litigation

No Rocketship school has ever been terminated or revoked. No contract has ever been shortened or given a conditional renewal. No school has had performance deficiencies that have leading to formal authorizer intervention. Finally, Rocketship has never faced any litigation or arbitration.

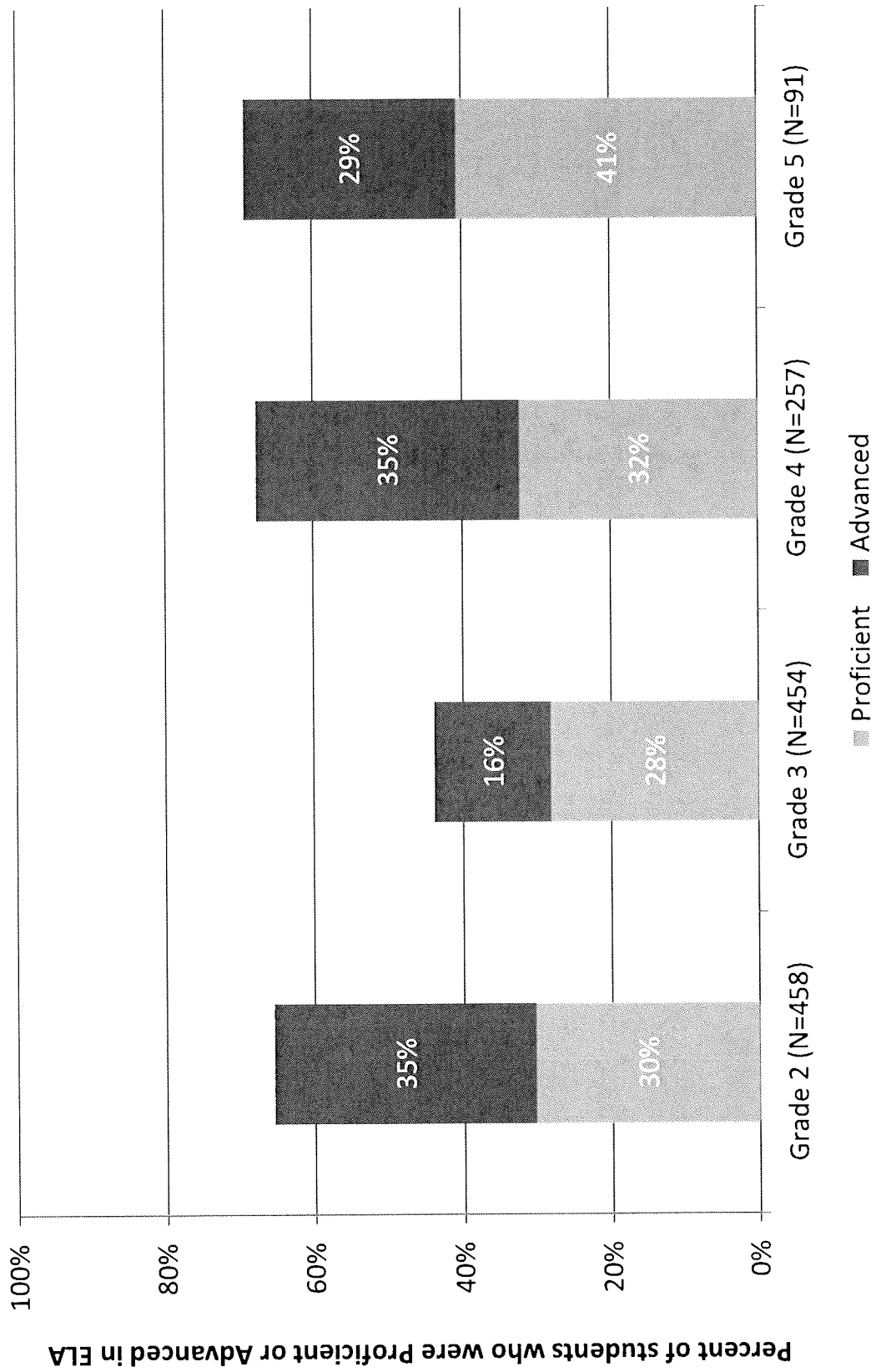
Attachments

Attachment 1

Annual Reports and Business Plan

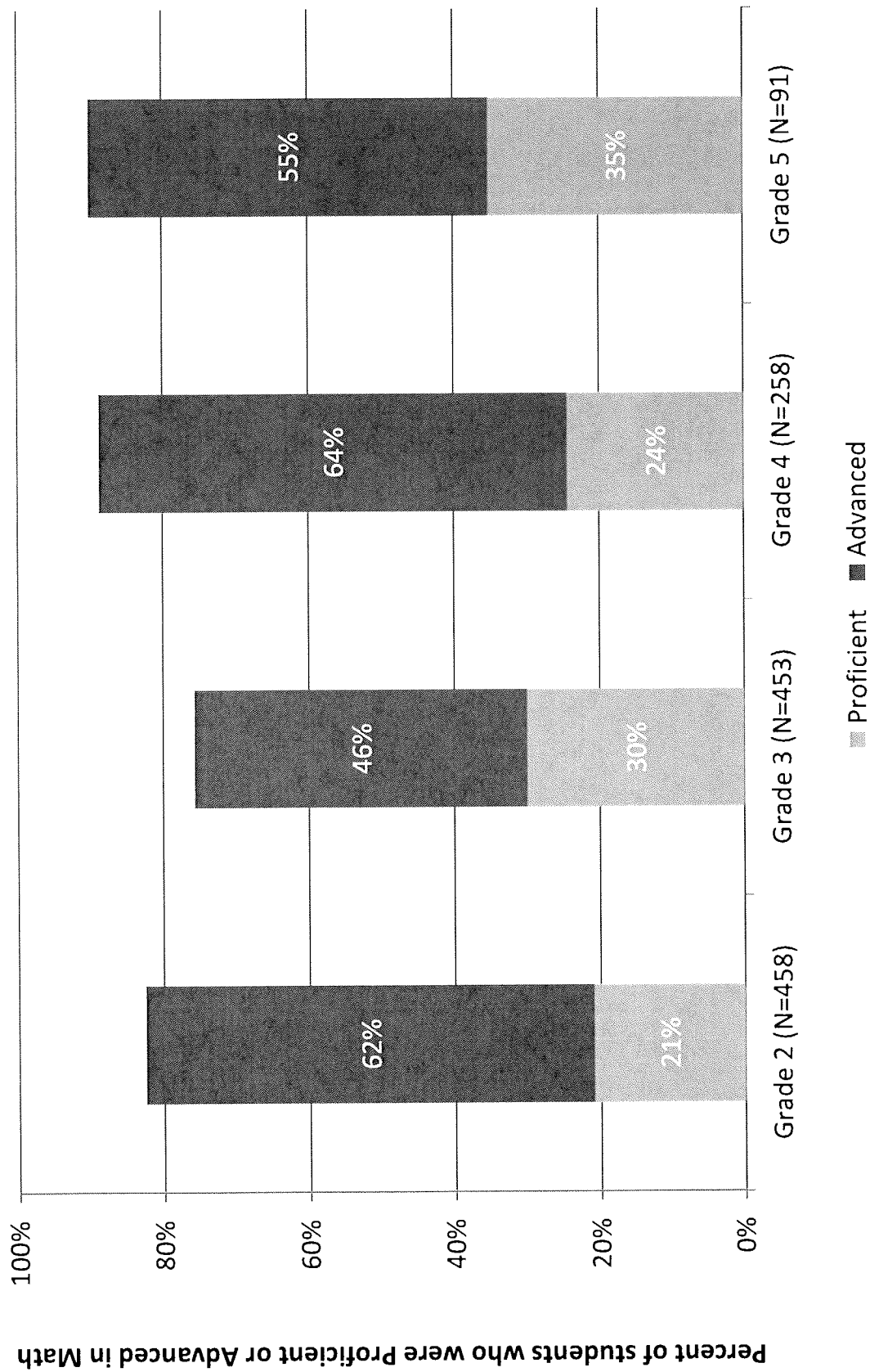
RSTN

**ELA CST Proficient and Advanced Rates for Rocketship Network by Grade
2011-2012**



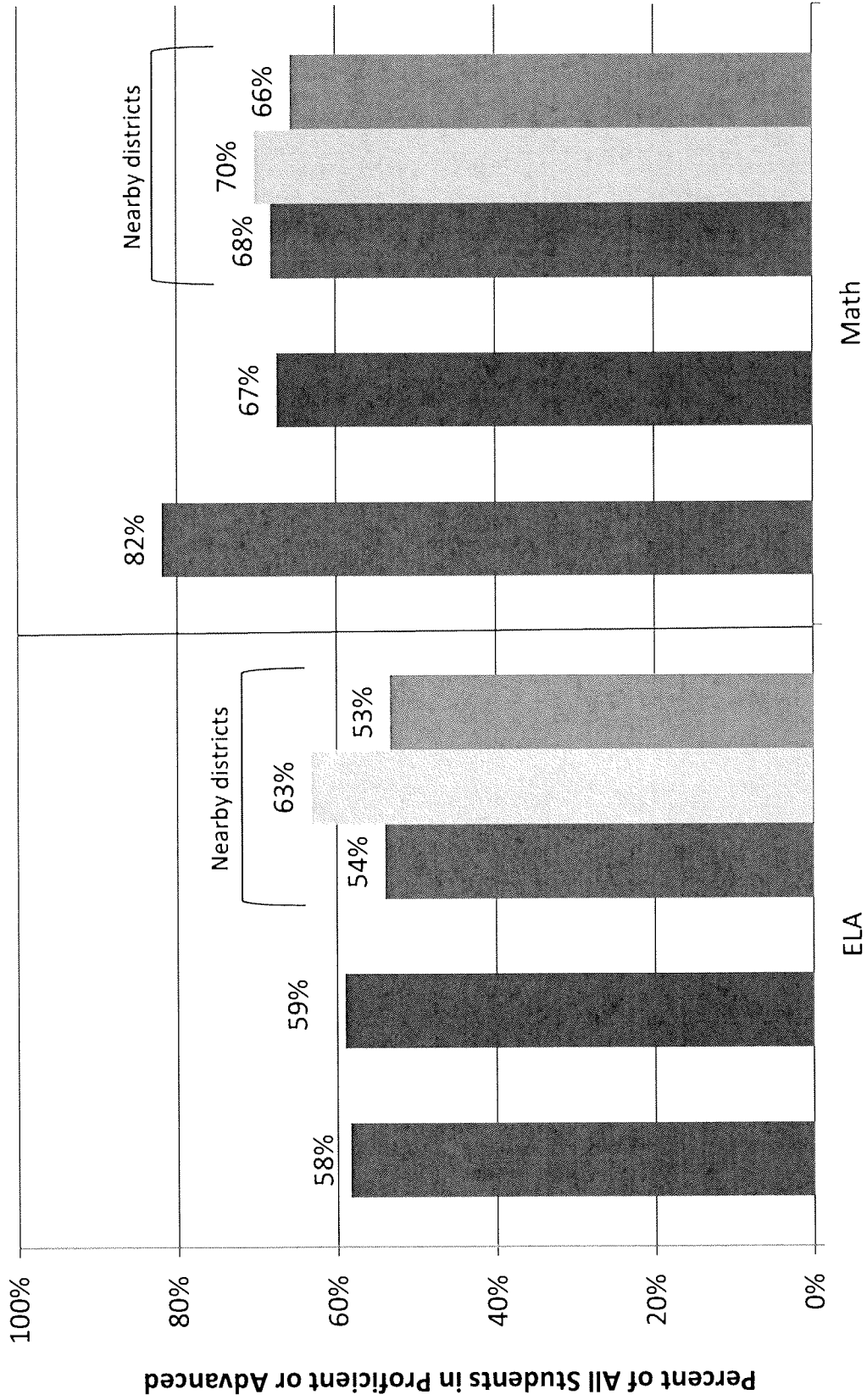
Includes results for RMS, RSP, RLS, RDP, and ROMO. Includes students who took CST only, not CMA or CAPA.

Math CST Proficient and Advanced Rates for Rocketship Network by Grade 2011-2012



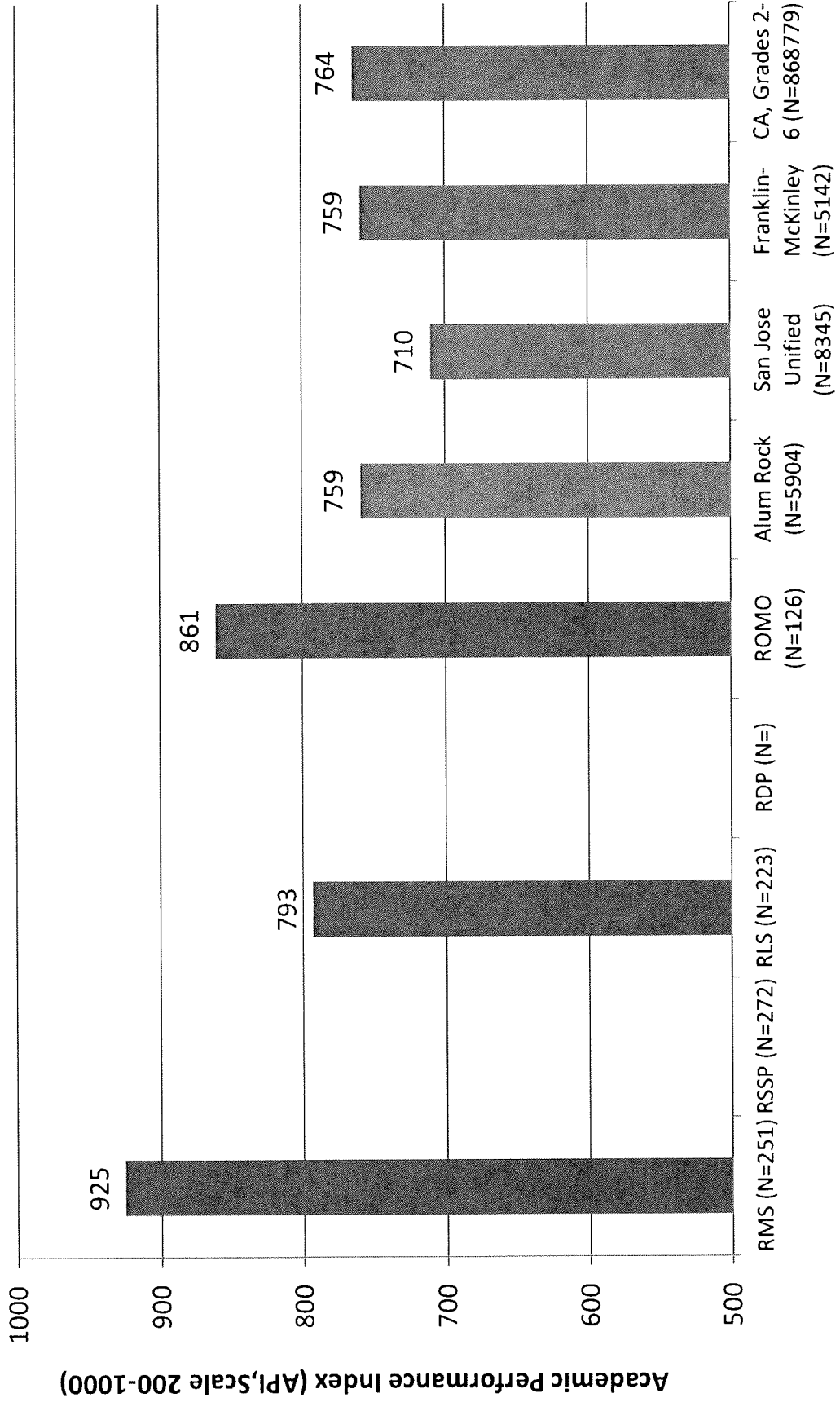
Includes results for RMS, RSSP, RLS, RDP, and ROMO. Includes students who took CST only, not CMA or CAPA.

Proficiency Rates for ELA and Math at Rocketship, California, and Nearby Districts Grades 2 through 5, CST Results in 2011-2012

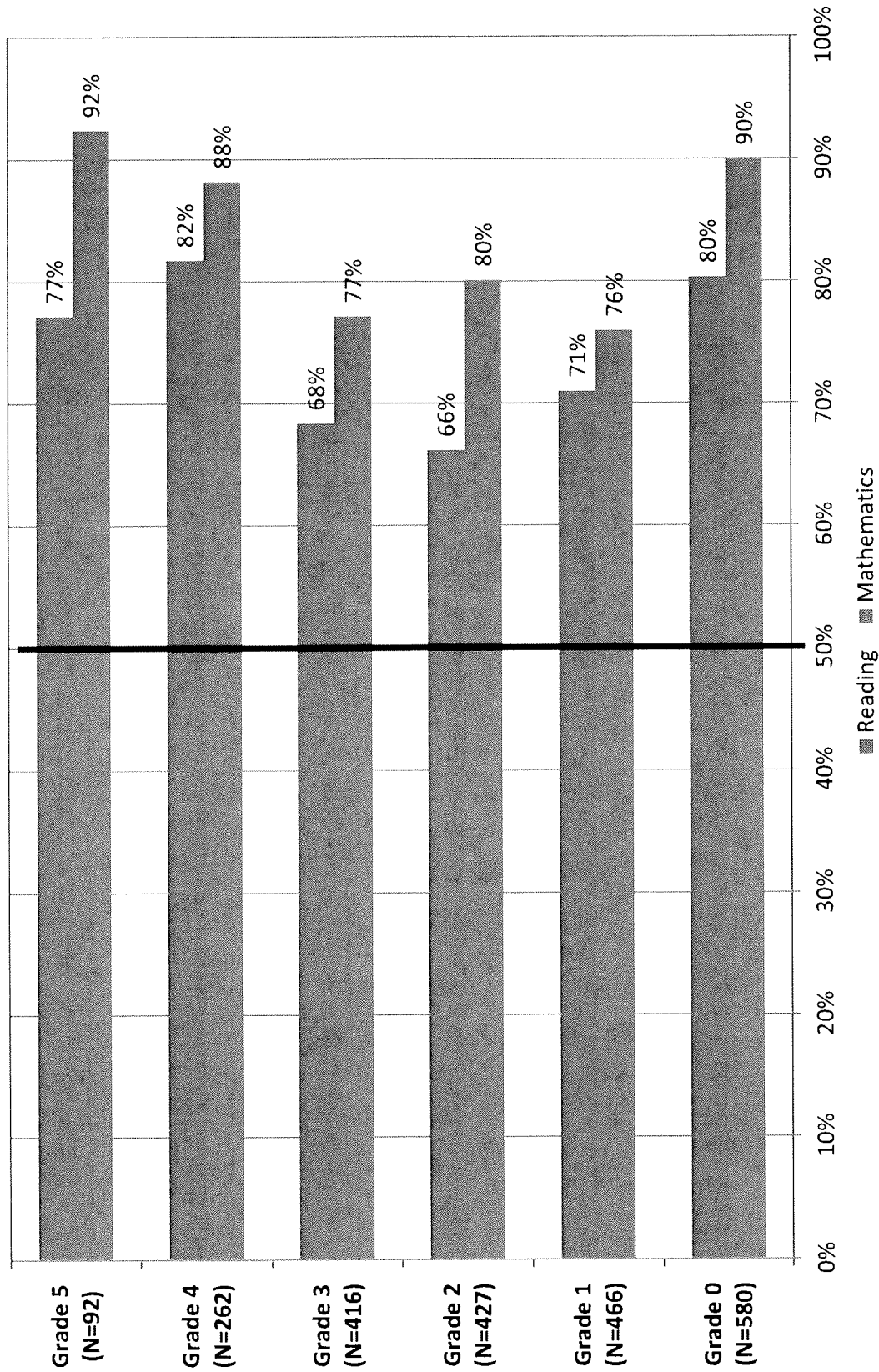


Rocketship (N=1260)
 State of California
 Alum Rock District
 San Jose Unified
 Franklin-McKinley

API for English-Learner Subgroup for Rocketship Schools, Nearby Districts, and CA
2012

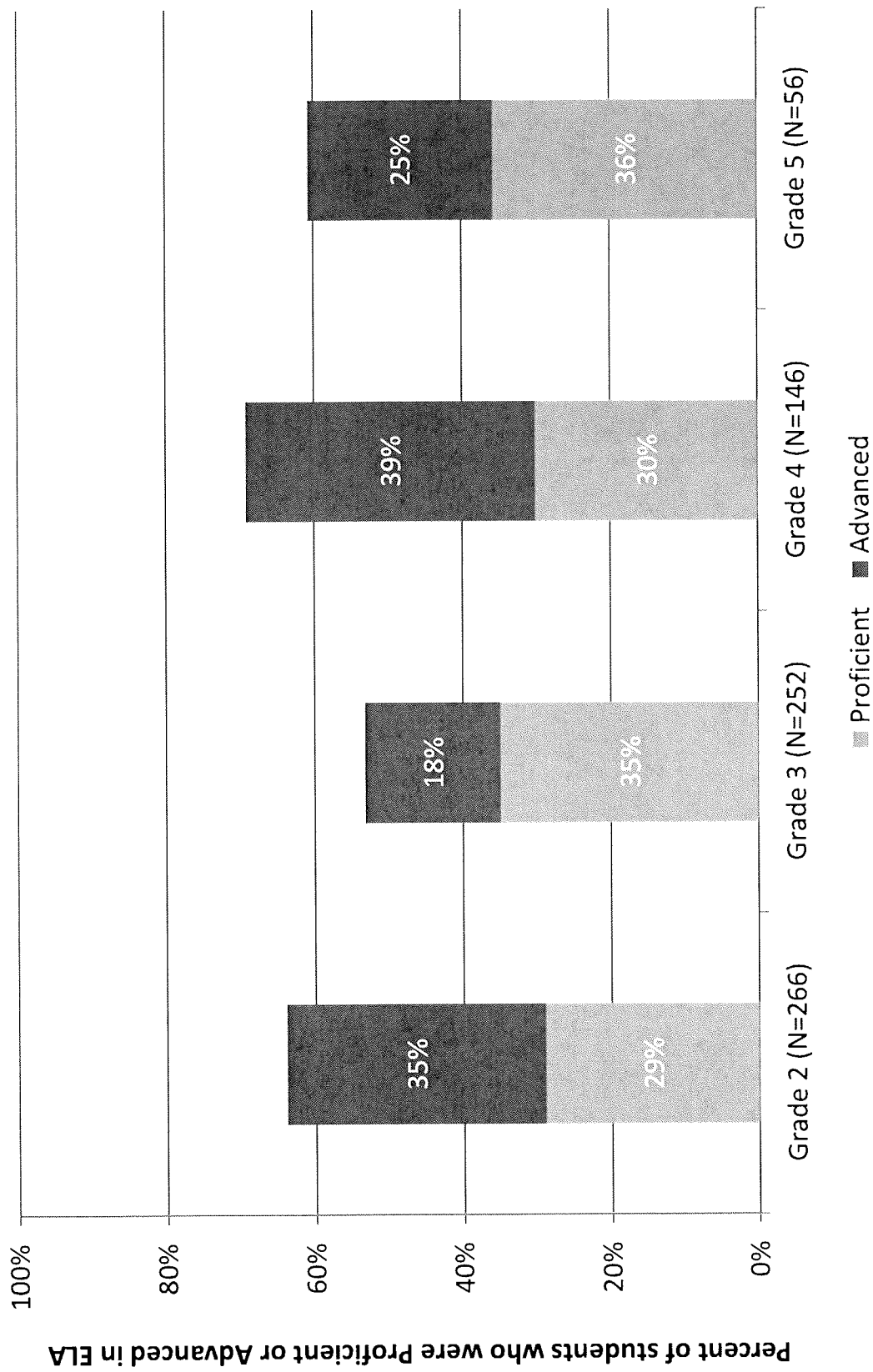


Students Achieving 1+ Year of Growth on NWEA MAP or Primary MAP Math and Reading, 2011-12



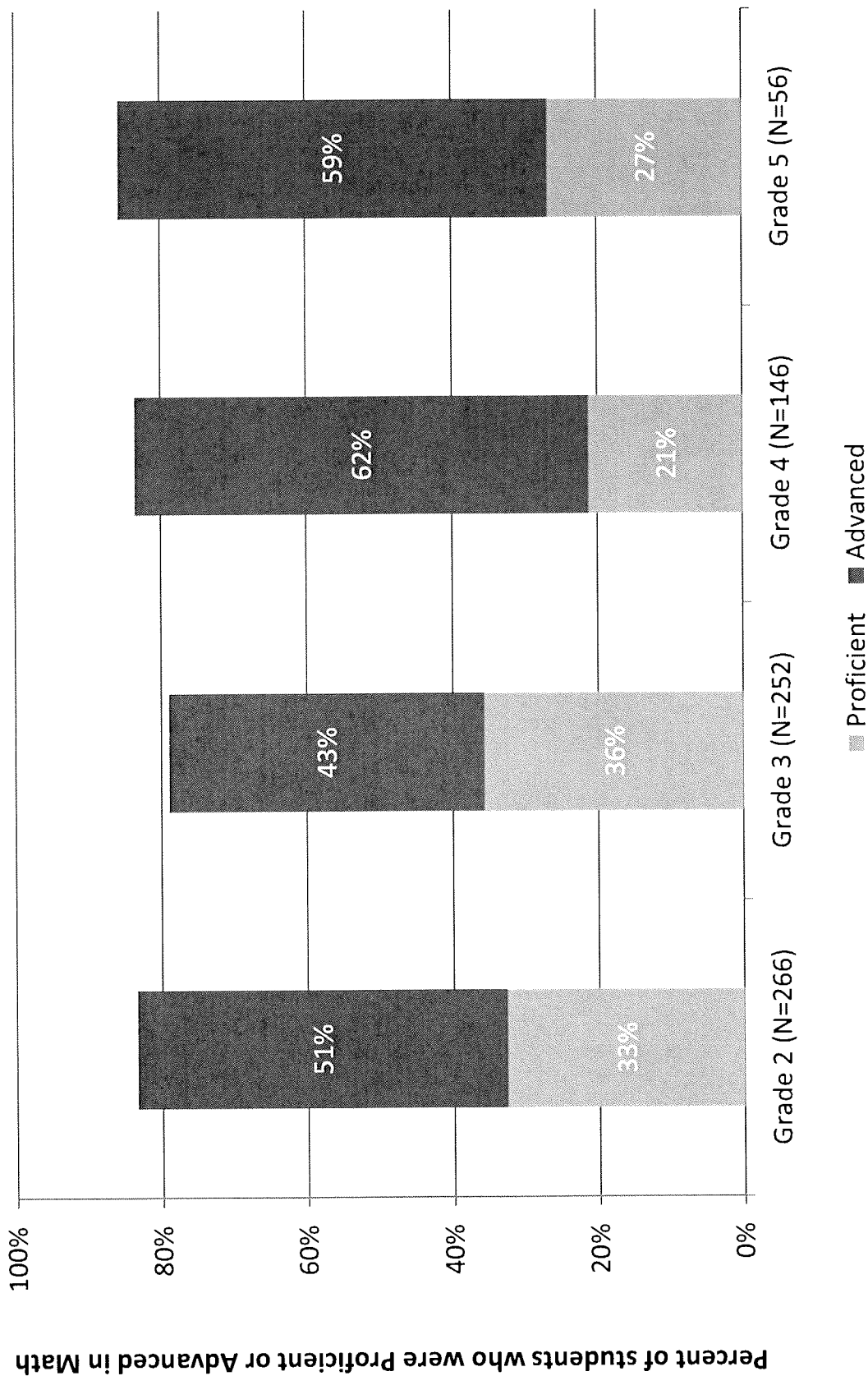
NWEA MAP and Primary MAP are national, norm-referenced tests. One year of growth is equal to the average growth from fall to spring of nationally representative sample of students who are in the same grade and start at the same point. Across the country 50% of students achieve 1 year of growth.

**ELA CST Percent Proficient/Advanced for Rocketship Network by Grade
2010-2011**



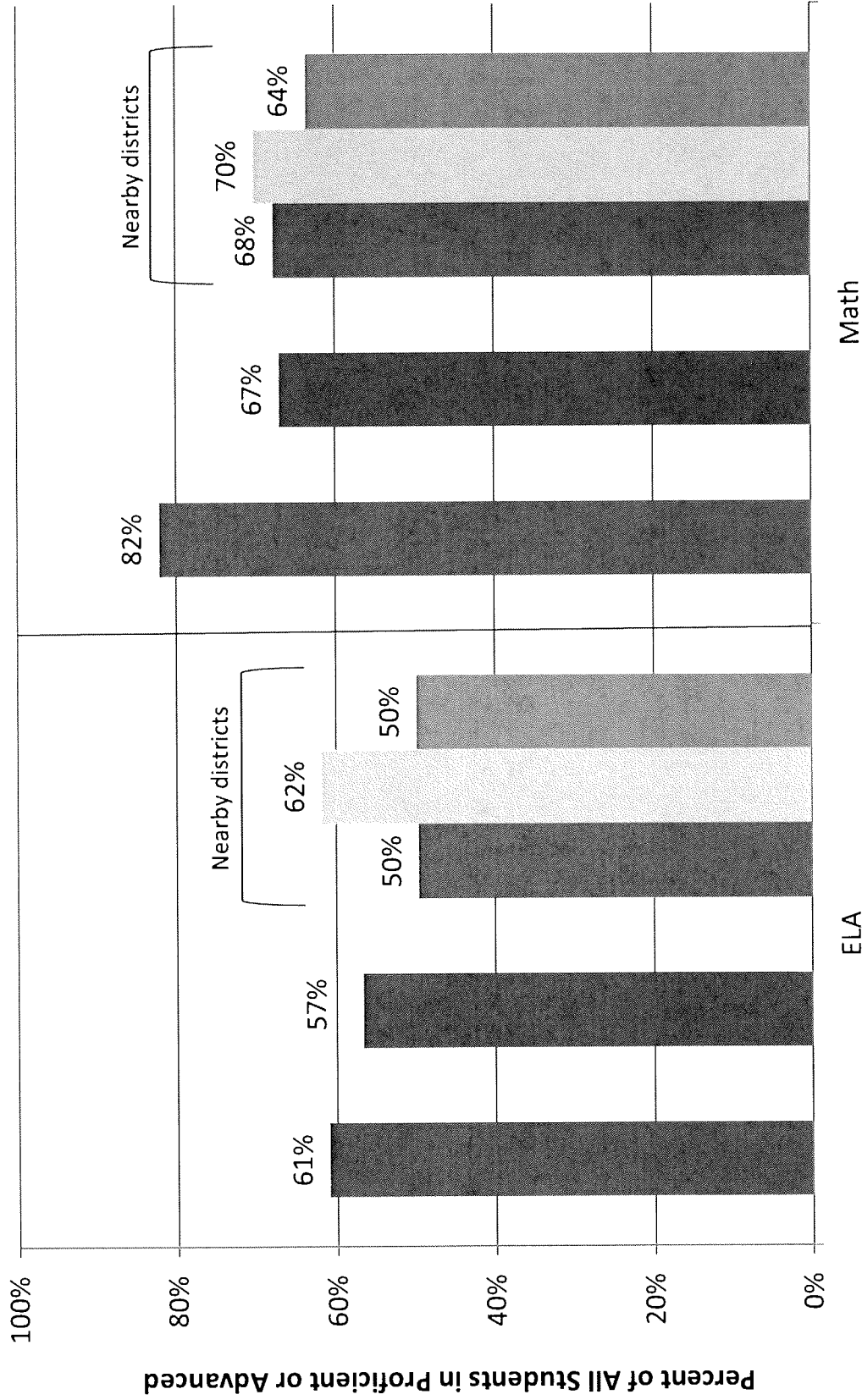
Includes results for RMS, RSP, and RLS. Includes students who took CMA or CAPA instead of CST.

Math CST Percent Proficient/Advanced for Rocketship Network by Grade 2010-2011

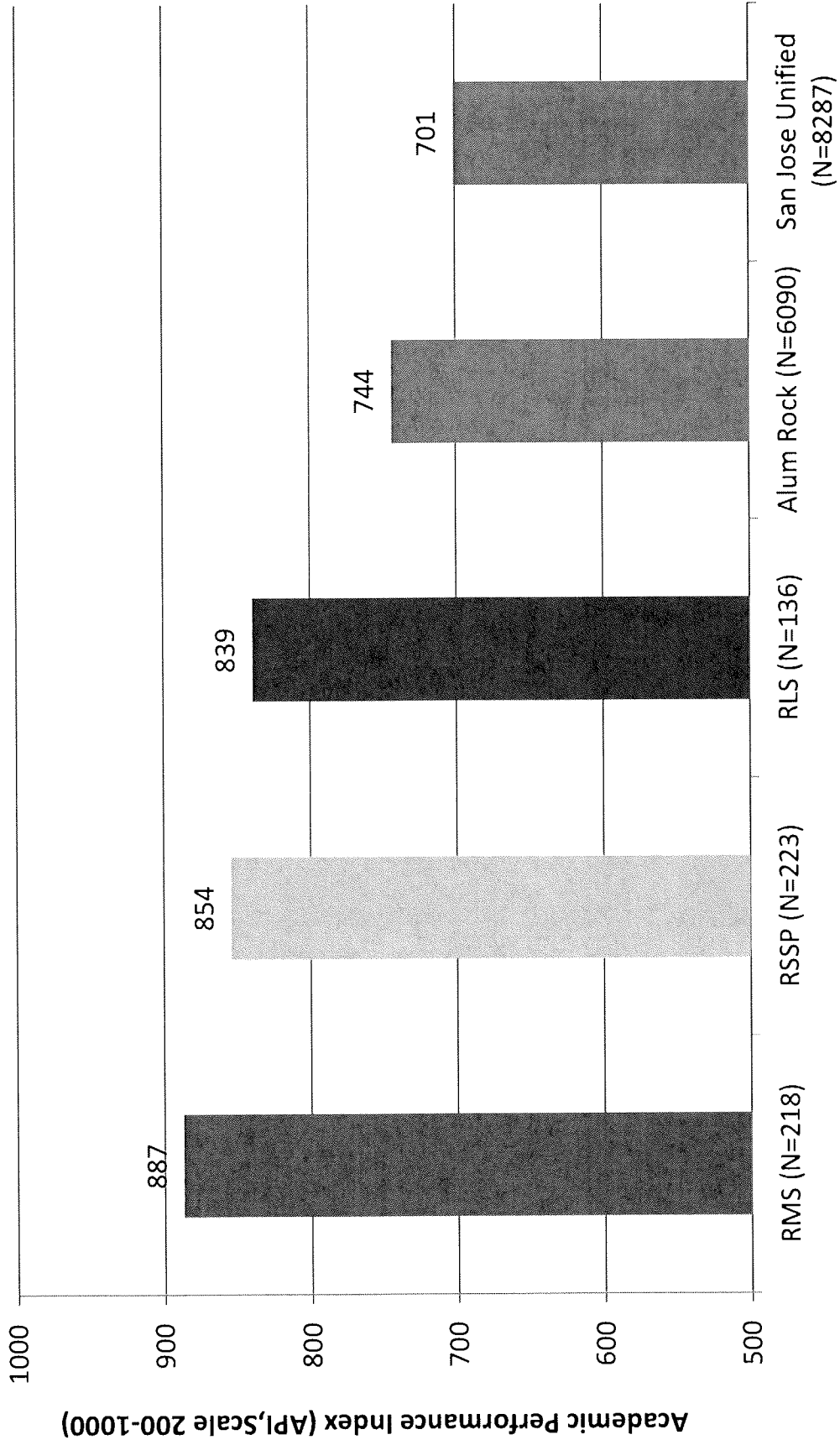


Includes results for RMS, RSP, and RLS. Includes students who took CMA or CAPA instead of CST.

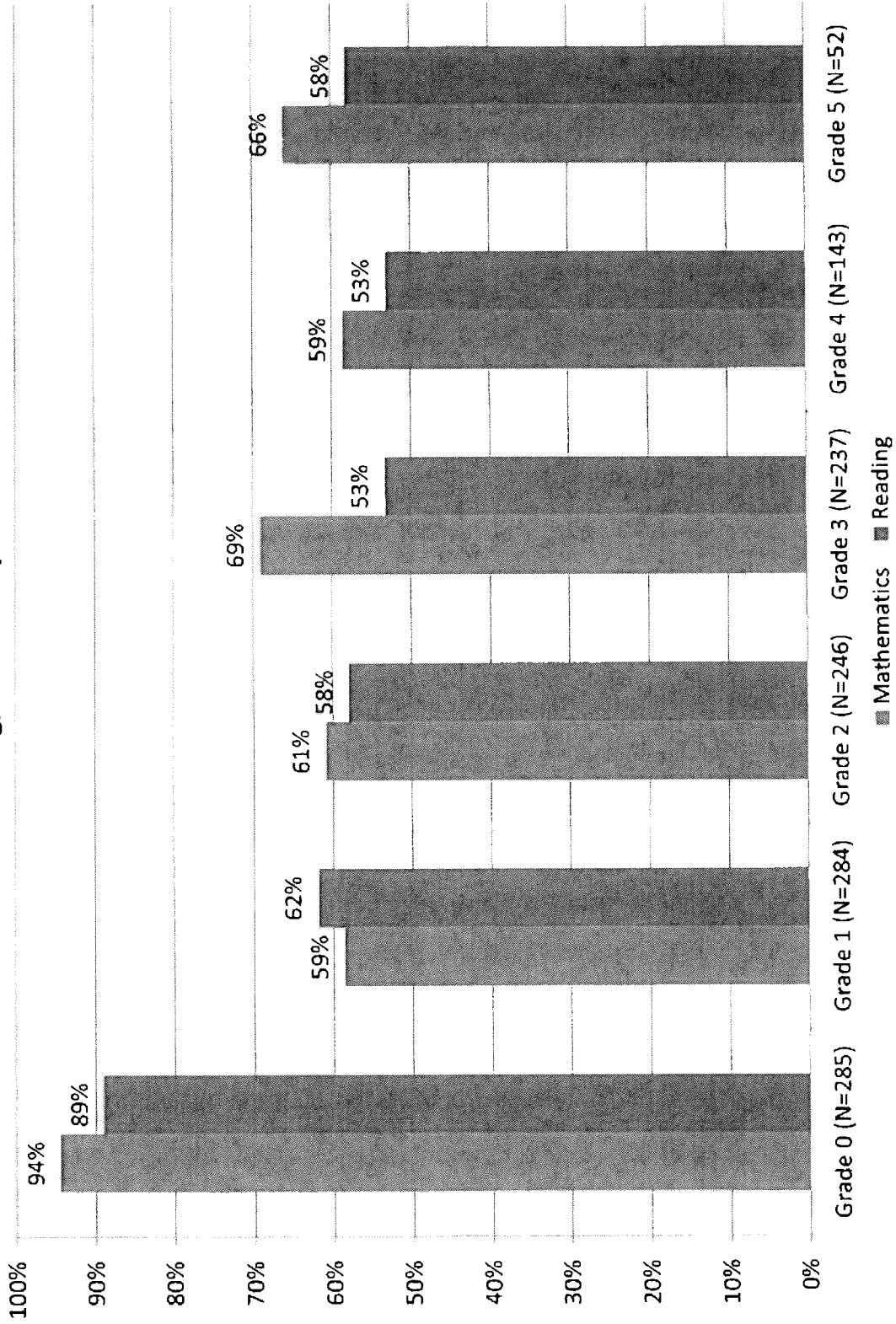
**Percent of Proficient Students at Rocketship, California, and Nearby Districts
 Grades 2 through 5, CST Results in 2010-2011**



API for English-Learner Subgroup for Rocketship Schools and Nearby Districts
2011



Percent of Students Achieving 1+ Year of Growth on NWEA MAP or Primary MAP Math and Reading, Rocketship Network 2010-11



NWEA MAP and Primary MAP are national, norm-referenced tests. One year of growth is equal to the average growth of all students who start at the same point make in one year.



Rocketship Education

**Business Plan
Fall, 2010**

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Executive Summary

Founded in 2006, Rocketship Education (www.rsed.org), a non-profit corporation, is building a national network of high-performing urban college preparatory elementary charter schools. Rocketship's mission is to eliminate the achievement gap in public education, by opening K-5 elementary charter schools in high-need neighborhoods throughout the country.

Each Rocketship school has a clear and simple goal: that its students achieve grade-level proficiency by the time they graduate from elementary school. Many charter school networks focus on college preparation for middle and high school students. Rocketship is built on the evidence that the path toward college must begin much earlier in a child's life. Research has shown that achievement in third grade is highly correlated with college attendance and graduation.¹

Rocketship's first school, Rocketship Mateo Sheedy Elementary School (RMS), opened in August 2007 in downtown San Jose. Its second school, Rocketship Sí Se Puede Academy opened in the fall of 2009, and a third school, Rocketship Los Sueños Academy, opened in the fall of 2010. Rocketship will open two additional San Jose schools in the fall of 2011, and intends for its network to expand to 30 schools by 2015.

Academic performance at Rocketship schools has been exceptional. For the most recently ended school year (2009-2010):

- Rocketship Mateo Sheedy Elementary (RMS) earned an API score of 925, for the second consecutive year, the **same score earned by the far more affluent Palo Alto School District.**
- **This places the two Rocketship schools in #5 and #15 positions, respectively,** for all California low-income elementary schools.
- **Rocketship Sí Se Puede Academy (RSSP) was the top new low-income elementary school in 2009-10 with an 886 API.**

Rocketship schools' performance is especially stunning, in comparison to neighboring schools and districts. San Jose Unified District received an API score of 792; Alum Rock Unified earned a 746 API, and neighboring schools averaged 732.

Rocketship attributes its success to three core values: Empower, Lead and Individualize. By empowering parents to transform the political system, developing great classroom and school leaders and individualizing instruction with tutors and technology, Rocketship will continue to drive world-class student achievement.

Rocketship is pioneering a transformative education model – the hybrid school platform – that combines traditional classroom teaching with individualized instruction using tutors

¹ Snow, C., Burns, S., Griffin, P. (1998) Preventing Reading Difficulties in Young Children. National Research Council.

and technology to meet the specific needs of each and every student. The Rocketship hybrid school model provides multiple advantages. First, it enables teachers to maximize classroom time for instruction, guided practice and extending critical thinking skills, while allowing them to schedule tutors and technology for core skills acquisition, independent practice, assessment and remediation/acceleration. In addition, the hybrid school model creates significant cost savings, which are reinvested in programs and people to drive school quality. Third, by reducing teacher staffing requirements, it is easier to fill all of our classrooms with top-quality teachers. Finally, the hybrid school model enables Rocketship schools to operate solely and sustainably on traditional public school funding and without the need for philanthropy.

In addition to its unique school model, Rocketship is Empowering parents by building a network of thousands of parents ready to transform educational politics by campaigning and electing pro-reform school board members. The combination of the hybrid model and our grass-roots political approach makes Rocketship the first charter school network that is fully scalable with respect to finance, staffing, and politics. Revenues generated from our existing schools allow Rocketship to finance all of the start-up costs needed by new schools, including building facilities. Rocketship intends to prove that charter schools can accomplish whole-city education reform. For example, the city of San Jose serves 120,000 students in grades K-12, of which 60,000 test below grade level, as measured by API scores. Approximately 30,000 of these students are in grades K-5, and half of those students are clustered in a limited number of neighborhoods, enabling feasible access to a charter school. By the year 2020, Rocketship intends to open approximately 30 schools in San Jose, serving 15,000 students, proving that the highest poverty students in the city can reach grade level, and supplying an enormous influx of middle school students capable of high level academic achievement in middle and high school.

In 2009, Rocketship received a \$5M grant from Reed Hastings and the Charter School Growth Fund for creation of its first seven schools in San Jose. Rocketship opened the third of these seven schools in August, 2010. This funding will allow Rocketship to reach sustainability in San Jose, allowing us to continue opening new schools without additional philanthropy. Under our original business plan, we focused only on building a support infrastructure for San Jose. Since that time, President Obama and Education Secretary Arne Duncan have designated charter schools as a key national education strategy for turning around low performing schools. As both the pioneer of the hybrid school model and the only scalable charter network, we have already been contacted by representatives from twenty six of the nation's largest 50 cities with interest in having Rocketship open schools in their cities. The plan described in this document anticipates accelerating our expansion to new regions as well as number of schools. To accomplish this goal without sacrificing quality, we have four "Big Rocks" to move in the next three years: build a scalable Leadership Development system, build the software infrastructure for our hybrid schools, called the "Hybrid School Platform," and empower parents to transform the political system. We are raising \$10M to accomplish these three major objectives.

The Team

Rocketship Education's team possesses a combination of business and education backgrounds that allows Rocketship to meet its ambitious goals.

Management Team

John Danner

John Danner is Rocketship's co-founder and CEO. From 2001-2005, John served as the Chairman of the Charter School Resource Center of Tennessee, working for the successful passage of Tennessee's charter school law in 2002 and assisting the subsequent establishment of 12 charter schools in Tennessee. John served as a founding director of KIPP Academy Nashville, a charter middle school in Nashville. Serving nearly a 100% population of students who qualify for free and reduced price meals, KIPP Academy Nashville has ranked among the top middle schools in Nashville from inception, and is among the top in the state for low-income schools. Before founding KIPP Nashville, John served as a teacher in the Nashville public school system for three years, the last two as a second-grade teacher of students with limited English proficiency. In 2000, John co-founded Sacred Heart Nativity School, a private Catholic middle school for at-risk Latino boys in San Jose. Prior to his work in education, John was founder and CEO of NetGravity, an Internet advertising software company. As CEO, John took NetGravity public and sold the company to Doubleclick in October of 1999. John holds a Bachelor's and Master's Degree in Electrical Engineering from Stanford University and a Master's Degree in Education Policy from Vanderbilt University. John is an Ashoka Fellow, and a Henry Crown Fellow at the Aspen Institute.

Preston Smith

Preston Smith is Rocketship's co-founder and Chief Achievement Officer. Before founding Rocketship, Preston was previously the founding Principal of LUCHA Elementary, the highest performing low-income elementary in San Jose before Rocketship Mateo Sheedy was created. Prior to LUCHA, Preston was a Teach For America (TFA) Sue Lehmann Award finalist, a national competition for TFA teachers with the strongest academic results. Preston was an exemplar for outstanding teaching used by Steven Farr of Teach for America in his book *Teaching as Leadership*. Preston is an Aspen-NewSchools Fellow, a program designed to recognize and support exceptional entrepreneurial leaders who are committed to transforming public education.

Richard Billings

Richard Billings is Rocketship's Chief Financial Officer. Previously, Billings served as the founding Director of Finance and Strategic Planning for Envision Schools, another Bay Area Charter School Management Organization. During his time at Envision, he founded the finance and accounting department, secured \$2MM in working capital financing and managed the start-up of Envision Schools Colorado, an Envision franchise in Denver which opened its first school in August 2009. Prior to joining the charter school movement, Billings was an economic consultant for Charles River Associates and

PA Consulting Group, where he performed economic and financial analyses of regional energy markets to advise Fortune 500 clients on their valuation methodologies and risk management strategies. He also worked as a math teacher and soccer coach at a high school near Washington, D.C. He has a BA in mathematical economics from Haverford College, an MBA from Northwestern University's Kellogg School of Management and is a graduate of the Education Pioneers Fellowship Program and the Broad Residency in Urban Education.

Board of Directors

Sehba Ali

Sehba Ali is the Chief Academic Officer for KIPP Bay Area Schools. She is founder and former Principal of KIPP Heartwood Academy in San Jose, CA. KIPP Heartwood Academy is a college-preparatory middle school that opened in July 2004, becoming the first public charter school in Alum Rock (East San Jose, CA). The school currently educates 370 students in grades 5 through 8 and is committed to ensuring that every single student is prepared for success in college and in life. Sehba is also the co-founder of KIPP San Jose Collegiate, a new charter high school in East San Jose helping students get to and through college. Prior to starting KIPP Heartwood Academy, Sehba earned a Masters from Stanford University's School of Education and received training from the KIPP School Leadership Program, including study at the Haas School of Business. She began her career as a middle school English teacher in Houston, Texas, through Teach For America. She also served as a Curriculum & Instruction developer at the KIPP Foundation. Sehba earned her BA degree in English and Psychology from UC Berkeley. Sehba currently serves on the KIPP Foundation Board of Directors and California Charter School Association Member Council as well as the Rocketship Education Board of Directors.

Shawn Carolan

Shawn joined Menlo Ventures in 2002 and has focused primarily on connected software and services. He represents Menlo Ventures on the boards of IMVU, PlayPhone, Playspan, Roku, Siri, TeleNav and YuMe. Before joining Menlo, Shawn was a management consultant for Booz-Allen & Hamilton, after spending most of his career in software development and engineering management positions. He was Manager of Software Architecture for Open Port Technology, a start-up that created Internet-based messaging software for data carriers. Prior to that, Shawn worked at Motorola's Cellular Infrastructure Group and Wireless Data Group, Sprint PCS, and the University of Illinois' Center for Computational Electromagnetics. Shawn is a graduate of the Stanford University Graduate School of Business (MBA) and the University of Illinois, Champaign (BS and MS in Electrical Engineering) and author of a US patent.

Jonathan Chadwick

Jonathan Chadwick (Chief Financial Officer, McAfee) is responsible for leading all worldwide finance functions, manufacturing, procurement, facilities, and information

technology at McAfee. Chadwick joined McAfee in 2010 from Cisco Systems Inc., where he spent 13 years in various finance roles. Most recently, Chadwick held the position of senior vice president and CFO, Global Customer Markets. In this capacity he oversaw Cisco's finance teams for the service provider, enterprise, commercial, small business and consumer customer segments. In addition, he headed teams that lead business architecture planning and new business model introduction across Cisco. Previously, Chadwick was Cisco's corporate controller, responsible for a team of more than 1000 employees managing external reporting, compliance, procurement, shared services, and global process, systems and controls. Prior to that, he ran the Corporate Finance and Planning group at Cisco. In this companywide role, he designed and implemented the company's strategic planning process and was heavily involved in Cisco's mergers and acquisitions. In addition, he managed Cisco's performance of both long-term and short-term financial goals. Chadwick joined Cisco in 1997 from Coopers & Lybrand (now PricewaterhouseCoopers), where he had been named audit partner. Chadwick is a Chartered Accountant in England and holds an honors degree in electrical and electronic engineering from the University of Bath, England.

G. Marcus Cole

Marcus Cole is the Wm. Benjamin Scott and Luna M. Scott Professor of Law at Stanford Law School. A scholar of the law of bankruptcy, corporate reorganization and venture capital, Professor Cole takes an empirical law and economics approach to research questions such as why corporate bankruptcies increasingly are adjudicated in Delaware, and what drives the financial structure of companies backed by venture capital. He has been a national fellow at the Hoover Institution, and has scholarly interests that range from classical liberal political theory to natural law and the history of commercial law. He serves on the board of directors for the Central Pacific Region of the Anti-Defamation League of B'nai B'rith, and on the editorial board of the *Cato Supreme Court Review*. Before joining the Stanford Law School faculty in 1997, Professor Cole was an associate in complex commercial litigation with the Chicago law firm of Mayer, Brown & Platt, and clerked for Judge Morris Sheppard Arnold of the U.S. Court of Appeals for the Eighth Circuit.

Steven Farr

As Chief Knowledge Officer, Steven Farr leads Teach For America's efforts to discern what distinguishes teachers whose students in low-income communities achieve dramatic academic growth. Those findings inform the organization's teacher selection, training and support. Steven also works to build the organization's knowledge by learning from and sharing with other organizations working towards educational equity. Farr is the author of the organization's 2010 book *Teaching As Leadership: The Highly Effective Teacher's Guide to Closing the Achievement Gap*. Farr's work was featured in a 2010 [Atlantic](http://www.theatlantic.com/magazine/archive/2010/01/what-makes-a-great-teacher/7841/)² article and on [ABC World News Tonight](http://abcnews.go.com/WNT/video/secrets-americas-greatest-teachers-9961455)³ as part of the Person of the Week segment. Since 2001, Farr has overseen various elements of Teach For America's teacher training

² <http://www.theatlantic.com/magazine/archive/2010/01/what-makes-a-great-teacher/7841/>

³ <http://abcnews.go.com/WNT/video/secrets-americas-greatest-teachers-9961455>

and support efforts, as well as studies of the best practices of highly effective teachers. He managed the research and development of a number of Teach For America's training texts, including *Instructional Planning and Delivery*, *Classroom Management and Culture*, *Learning Theory*, and *Diversity, Community, and Achievement*. He has contributed to the development of the Teaching As Leadership framework and rubric, as well as some of Teach For America's online resources built around those ideas, including the public resource: www.teachingasleadership.org.

Fred Ferrer

Fred J. Ferrer, MS, is the Chief Executive Officer of The Health Trust, a non-profit organization founded in 1996 that provides direct health services, programs, grant making & advocacy to support its vision: Silicon Valley as the healthiest region in the U.S. For over 19 years, Fred, as executive director of Estrella Family Services, oversaw their early education and family services to 300 children from infancy through 7th grade as well as Estrella's Kids to Camp program, which sent over 700 low-income youth to summer camp. Fred is an adjunct professor at Santa Clara University, is a commissioner on the FIRST 5 Commission of Santa Clara County and is involved with many other organizations focused on child development.

Alex Hernandez

Alex Hernandez is a Partner and Vice President at Charter School Growth Fund (CSGF) where he leads CSGF's "next generation" CMO investments as well as those for portfolio members located on the west coast. Mr. Hernandez is a former Regional Superintendent at Aspire Public Schools and joined CSGF in July 2010. Prior to managing Aspire's largest region, Mr. Hernandez worked with ICEF, a charter management organization in Los Angeles, and as a Broad Resident at Portland (WA) Public Schools. Previously, Mr. Hernandez worked for several years with JP Morgan and Disney Ventures. He is a graduate of Claremont McKenna and has an MBA and Masters of Education from Stanford University.

Eric Resnick

Eric Resnick is managing partner of KSL Capital Partners, a \$750 million real estate private equity fund. Eric is also Chief Financial Officer of KSL Resorts, which owns and operates high-end resort properties such as the Hotel del Coronado in San Diego. Previously, Eric was the Vice President of Strategic Planning for Vail Resorts and a consultant with McKinsey and Company.

Kim Smith

Kim Smith is co-founder and Chief Executive Officer of Bellwether Education Partners. She is widely recognized as an innovative and entrepreneurial leader in education, and was featured in *Newsweek*'s report on the "Women of the 21st Century" as "the kind of woman who will shape America's new century." After being a founding team member at Teach For America, she went on to found and lead an AmeriCorps program for community-based leaders in education, as well as a business start-up, and worked in marketing for online learning. After completing her MBA at Stanford, Kim co-founded and led NewSchools Venture Fund, a venture philanthropy firm focused on transforming

public education, where she helped to create a new, bipartisan, cross-sector community of entrepreneurial change agents.

Alex Terman

Alex Terman was a founding employee of Leadership Public Schools (LPS), a non-profit charter management organization, and served as the organization's first Chief Operating Officer until early 2007. Prior to joining LPS, Alex worked in business and corporate development roles at America Online and as an Associate Consultant at Bain & Company, an international management consulting firm. Alex also has served as a John Gardner Fellow in the Office of the United States Trade Representative and as a board member and classroom volunteer for Junior Achievement of the Bay Area. He holds a Bachelor of Arts in History from the University of California, Berkeley, a Masters of Business Administration from the Stanford Graduate School of Business, and has completed the Broad Residency in Urban Education, a two-year management development program that prepares leaders for senior management positions in public education.

National Strategy Board

Rocketship's National Strategy Board is made of political leaders, foundation leaders, educators, business-people and other community leaders and is designed to help Rocketship develop its long-term strategy for closing the achievement gap in the United States.

Reed Hastings

Co-Chair

Reed Hastings founded Netflix in 1997 and launched the subscription service in 1999. Netflix grew to one million subscribers in less than four years, and reached 9.4 million subscribers by the end of 2008. In eight consecutive surveys since 2005, Netflix has been ranked number one in customer satisfaction across all of ecommerce by independent researcher ForeSee Results. In the fall of 2005, Netflix was the winner of *Fast Company's* national Customers First Award, with Reed appearing on the cover of the October issue. Also in 2005, *Time* magazine added Reed to its "Time 100" list of the one hundred most influential global citizens. In March 2007 Reed was appointed to Microsoft Corporation's board of directors and was inducted into the Video Business Hall of Fame the following December. Earlier in his career, Reed founded Pure Software, which he built into one of the world's 50 largest public software companies. After a successful public offering and a number of acquisitions, Pure was acquired by Rational Software in 1997. Reed is an active educational philanthropist and board member of many non-profits. In addition, he was President of the California State Board of Education from 2000 to 2004. He has led successful statewide political campaigns for more charter public schools and easier passage of local school bonds. Reed received a BA degree from Bowdoin College in 1983 and an MSCS degree from Stanford University in 1988. He holds several patents. Between his years at Bowdoin and Stanford, Reed served in the U.S. Peace Corps as a high school math teacher in Swaziland.

Don Shalvey
Co-Chair

Don Shalvey is Deputy Director for Education at the Bill and Melinda Gates Foundation. He oversees the work of the States, District and Networks portfolio which includes STEM programs, charter schools and Early College High School models. His team also supports states and districts in the implementation of their plans for effective teaching, data, assessments and post secondary work. Prior to joining the foundation, Don was the founder and CEO of Aspire Public Schools and has spent the past 40 years in public education where he is widely recognized as a leader in public school reform and the charter school movement. In 1992, Don served as the Superintendent of San Carlos School District, where he sponsored the first charter school in California. The San Carlos Charter Learning Center became a California Distinguished School and has since served as a model for many other charter schools. In 1998, Don and Reed Hastings co-founded Californians for Public School Excellence, a grass-roots organization that led to the passage of the Charter Schools Act of 1998, which lifted the cap on the number of charter schools in the state. Don is a frequent advisor to policy makers, practitioners and authorizers of charter schools across the nation. He currently serves as the Chair of the California Commission for Special Education. He is also a Board member on a number of not-for-profit organizations including: Jobs for the Future (JFF), Ed Source, and the Stanford University School of Education. His work has been recognized in a variety of national publications and television/radio shows including: *The Wall Street Journal*, *Fast Company*, *Newsweek*, the Charlie Rose Show and NPR. In 2002, the prestigious Ashoka Foundation recognized Don as a Fellow for his outstanding work as a social entrepreneur. More recently, Don was given the James Irvine Foundation Leadership Award for advancing the quality of life for Californians. In June 2009, he was elected to the Charter School Hall of Fame by the National Alliance for Public Charter Schools. Don earned a degree in Educational Leadership/Administration from the University of Southern California, an MEd degree in Counseling and Guidance from Gonzaga University and a BA from LaSalle College.

The Need

Children in America deserve an elementary and secondary education that prepares them for college. Increasingly, the global economy necessitates that Americans obtain a college degree to achieve middle class status and a stable job. The majority of jobs that do not require a four-year education are rapidly moving overseas. Already, Americans with college degrees earn twice as much as those without college degrees. This gap will grow quickly as companies continue off-shoring non-essential jobs. Rocketship was founded to create thousands of elementary schools that put low-income students on the pathway to college, reviving the American dream for our neediest children.

The current approach of district-operated elementary schools is out of step with the needs of underserved urban students. Three critical hindrances – an outdated education model, school cultures which don't demand high achievement, and a limited pipeline of high quality leadership in both classroom and administration – dramatically affect outcomes in low-income schools. An elementary school today looks much the same organizationally as it did 100 years ago, despite massive changes in the students that these schools are intended to serve. While this traditional model may produce adequate results in middle-class schools where most students perform at grade level, this model fails to educate students from low-income backgrounds. Today's traditional elementary schools are not designed to individualize instruction and to provide targeted interventions to students on a daily basis. Without intense interventions from an early age, students continue to fall behind until they qualify for Special Education. Second, the culture of many inner-city district schools is not focused on 'no excuses' high achievement for students. Without a culture of high expectations, the challenges of low-income youth can feel insurmountable and the families themselves are often used as an excuse for not hitting high goals. Third, many school districts in inner cities have been unable to recruit, train and retain talented teachers. This inability has made other curricular or structural reform efforts ineffective.

Charter schools are one of the few areas of national reform with federal bi-partisan support. Since taking office, President Obama and Secretary of Education Duncan have taken significant steps to reform the nation's public education system, primarily by using federal stimulus funds as an incentive to encourage states to change their laws.

One major area of focus has been removing restrictions on the growth of charter schools through eliminating state-level caps. Equally important, the Obama administration has focused on 5,000 persistently failing schools that they label "turnarounds." According to a 2008 analysis by the US Department of Education, there are approximately 13,000 schools nationally which are persistently failing.⁴ The introduction of charter schools as one of the primary vehicles for turnarounds has put charters in the spotlight. However, a significant obstacle to this mechanism is that no charter school network, to date, has solved the scalability problem. The largest network, KIPP, has only 84 schools and plans

⁴ <http://ed.gov/nclb/accountability/results/progress/nation.pdf>

to scale to 200 schools over the next five years. This network size constitutes an order of magnitude fewer schools than is necessary for charters to turn around our nation's most troubled schools.

Two hurdles have prevented charter schools from rapid growth and scale: a limited pool of outstanding teachers and the severe (and worsening) financial constraints of public school funding. Consequently, while many charter schools have succeeded in 'proving' the model academically, they are still challenged by the operational issues of staffing and financial sustainability. Many teachers in charter schools put in heroic but unsustainable work-weeks, often electing to leave the profession altogether; this extreme workload may actually be reducing an already limited pool of talent. In addition, most charter schools have relied on philanthropy to supplement public funding, yet this approach simply isn't sustainable at mass scale.

Rocketship's mission is to eliminate the income achievement gap, by providing individualized instruction, a culture of high achievement and parental involvement, and intense focus on developing world-class classroom and school leaders. Moreover, we have demonstrated the ability to overcome the two most fundamental barriers to scale success for charter schools – staffing and funding. First, via our breakthrough hybrid school model, we will build and deploy a national network of high-performing schools that leverage the skills and talents of a limited pool of high quality teachers, while offering teachers a sustainable work-life balance, an exciting career path, and performance-based compensation. Second, the hybrid school model enables each of our schools to operate solely on traditional public school funding sources – district, state and federal tax revenues – without having to rely on philanthropic funds to cover our operating expenses.

While Rocketship's hybrid school model removes the financial and staffing barriers to scale, our grass-roots political approach gives us the ability to have significant impact on each city in which we operate. Our goal is to be the first network that can operate the thousands of schools necessary to make charters a viable solution to the challenge faced by the country and identified by the President. The radical innovation embedded in Rocketship's approach to individualizing instruction and strengthening educational leadership will deliver the means to achieve this goal.

Our Mission

The Rocketship Education mission is to help students reach grade-level in academic achievement by the time they graduate from Rocketship so that they are prepared for a rigorous middle and high school education leading to a four-year college. Rocketship Education is developing a network of urban college preparatory elementary schools to accomplish this mission. Rocketship successfully prepares students to score in the top two quintiles of academic results by the time they graduate, so that they are well prepared to compete in middle school and high school, and graduate from a four-year college. In California, the top two quintiles of academic results translate to a school-wide API of

875, which is achieved by less than 1 percent of low-income schools. By infusing a massive number of middle-school-ready students into the existing public education system, we will see far higher numbers of inner-city students on track to attend college. Implicit in this mission statement are ambitious goals for both quality and scale for Rocketship schools within San Jose, and eventually across the country.

Most charter organizations assume that districts will change their own behavior and performance when charter schools demonstrate educational practices leading to strong academic results. Unfortunately, this theory has shown few, if any, results over the last decade. The type of disruptive force which charters embody can only create change when conducted at a large enough scale to put pressure on the existing system. These fundamental changes will not occur until charter schools show clear advantages in educational outcomes, and the ability to serve *all* needy children. Equally important, charters must take on the challenge of empowering parents for political advocacy. Because school boards are locally elected, parents need to participate in election work to ensure that school boards continue to allow parents great school choices.

Rocketship Education holds a theory of change very different from other charter organizations. Rocketship is built to serve *every* underserved child in the urban school districts where we locate. Our theory of change is to disrupt the current system and cause a reorganization of both the nation's beliefs and resources. Rocketship intends to prove that inner-city elementary schools can prepare students for college by providing a stellar education foundation upon which students can continue to expand their knowledge base, skill sets, and aspirations for success in the 21st century. Rocketship seeks to do this work at a scale that confirms the possibility that all students, regardless of family income level, can achieve similar success. Moreover, our model incorporates active parental engagement and advocacy; consequently, we see a future in which informed parents become the dominant voice in school board elections, transforming the system.

The Rocketship Solution

Rocketship demonstrates that the solution to the nation's education challenges lies in our core values: Empower, Lead, and Individualize.

Empower

Rocketship creates deep connections to families and the community to create the motivation and discipline needed to meet our academic expectations. As a college preparatory elementary school, it is a challenge to prepare our population of predominately first-generation, college-bound students for success over the course of their entire academic career. Achieving this goal requires extensive training and collaboration around the Rocketship culture. By creating a strong culture of student achievement and high expectations, we motivate both students and their parents to do what it takes to succeed. Rocketship spends the first six weeks of every school year focusing heavily on establishing a culture focused on core values, norms and behaviors

that reinforce how learning for college requires high levels of persistence and dedication from the students, parents and staff.

Because the collaborative culture at Rocketship requires that parents, volunteers and special service providers work together to create an incredible school, Rocketship has developed a number of systems to ensure that the learning environment is safe, structured, productive and fun. One of the most important keys to our success is our behavior management system, which uses positive incentives and negative consequences to encourage each Rocketship student, (a “Rocketeer”), to be accountable for his/her actions and strive to reach our community goals. This detailed and comprehensive behavior management system not only provides a safe, structured school environment, but more importantly ensures that even the smallest behavior issue is addressed in its infancy. This focus prevents as many serious behavior infractions as possible and allows every Rocketeer to focus on achieving excellence both in the classroom and as a future leader.

The unique Rocketship culture is fostered from the beginning of each school year as a Rocketship staff member makes a home visit to every Rocketship family. These home visits are incredibly powerful and ensure that a positive relationship is created between the families and Rocketship staff. To express his or her level of commitment to the Rocketship mission and support of the Rocketship culture, every Rocketeer parent or guardian signs a letter committing to these Rocketship values with the Principal. Once the relationships between teachers and families are established through home visits and parent contracts, the Rocketship staff is able to continue this personal connection and flow of information with each family throughout the year, to ensure even higher academic success is realized as the year progresses.

Academic excellence at Rocketship is achieved through an extended school day that runs from 8 am to 6 pm. Every morning, the Rocketship students, called Rocketeers, start the day with the Rocketship Launch. At the Launch, all Rocketeers, teachers, volunteers and any parents present recite the following Rocketship Creed: *I am a Rocketship Rocketeer. I am respectful of myself, others, community and the environment. I am responsible for my learning, actions and achievement. I am empathetic to my world. I am persistent in attaining excellence. Together we are all Rocketship Rocketeers.* The Rocketship Creed focuses on the values that are critical to the Rocketship culture: Teamwork, Empathy, Leadership and Persistence. By reciting the creed each morning together, the Rocketship community reinforces the application of this incredible message at school, as well as throughout their daily lives.

Rocketship *feels* like a college preparatory campus in which all students learn from teachers who specialize in subjects, participate in extended learning blocks (3:40 hours of ELA and 1:40 hours of Math daily), and become familiar with becoming a constructive learner in a variety of environments. During the day, all students not only transition between a Math room and an ELA room, but also spend 1:40 hours of supplemental instruction and autonomous learning in the Learning Lab multi-purpose room. Learning

Lab consists of approximately 40 minutes of independent computer-based instruction and 40 minutes of leveled reading (or literacy activities for Kindergarten students). Rocketeers are given an hour during the day to work on homework, but it is normal for students in upper grades to have an additional hour of homework to complete each night. This type of work ethic and rigorous academic environment help to ensure that Rocketeers are better able to compete with all students throughout the United States.

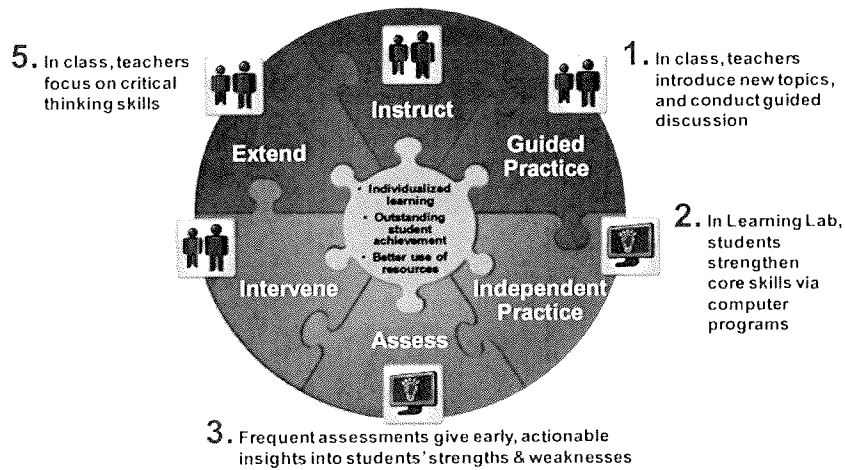
The Rocketship culture is enhanced through regular off-site enrichment activities and Community Meetings. Rocketship enrichment activities include field trips that expose Rocketeers to non-school-based learning opportunities in local museums and parks. Rocketship hosts Community Meetings on a monthly basis in which the school program, operations and culture are discussed with parents, students and staff. The strong and distinct Rocketship culture has become a testament to the value in purposefully taking time for students, parents and stakeholders to build relationships and trust within the school community. The combination of 70 percent parent participation at every Rocketship Community Meeting, substantial volunteer participation, dedicated staff and positive student performance contributes, in large part, to the Rocketship culture that makes the school so unique and effective.

The added benefit of the Rocketship culture is an incredibly vigilant group of parents, now numbering in the thousands, who feel that the education status quo needs to change. In the next section, we will discuss our efforts to translate this potential energy into systemic change, by putting informed parents—partnered with political action committees—in charge of our public education system.

Lead

At Rocketship, leadership in both the classroom and the school is a crucial driver of school quality. Our success depends upon an infusion of talent to our schools and the larger organization. While all CMOs are working on professional development, Rocketship is unique in its commitment to Teach for America (TFA), to employ four first-year TFA corps members at each school every year. Our strategy is to promote from within by taking these corps members, other TFA alumni and other strong recruits and focusing significant effort to develop them into school leaders. There are four factors that allow Rocketship to attract, retain and develop outstanding leadership talent: mission, support, pay and career path. Rocketship recruits young passionate teachers who love the idea of changing the achievement gap for whole cities at a time, need lots of support from our Academic Deans, appreciate greater pay for better work, and want to move into leadership positions. From a potential energy standpoint, Rocketship has phenomenal people in our classrooms and a great leadership development program. In the “Big Rocks” section below, we will discuss our plans for developing this talent into a scalable system for creating outstanding classroom and school leaders at the rate we need.

Individualize – Hybrid School Model



Rocketship Education opened the first U.S. hybrid (online and classroom instruction) school in August 2007. Rocketship’s hybrid school platform combines traditional classroom teaching with individualized instruction using tutors and technology to meet the specific needs of each and every student. The hybrid school model combines six hours of classroom instruction with two hours of online instruction (a 75/25 split). Rocketship’s structure has significant implications for the operation of schools in three areas –academic achievement, teaching quality and leadership, and financial sustainability.

First, the hybrid school model enables teachers to maximize classroom time for instruction, guided practice and extending critical thinking skills, while allowing them to schedule tutors and technology for core skills acquisition, independent practice, assessment and remediation/acceleration. In addition, the hybrid school model creates significant cost savings, which are reinvested in programs and people to drive school quality. Third, by reducing teacher staffing requirements, it is easier to fill all of our classrooms with top-quality teachers. Finally, the hybrid school model enables Rocketship schools to operate solely and sustainably on traditional public school funding and without the need for philanthropy.

Rocketship’s defining core value is that individualized instruction provides the most effective means of remediating issues for low-income students. While a large part of the Rocketship day continues to be conducted in classroom settings, students have Individualized Learning Plans (ILPs) that guide teachers in lesson planning and differentiated instruction. Individualized instruction comes in two forms at Rocketship. We provide online instruction during the day in Learning Lab and an after-school Response to Intervention (RTI) program that focuses on tutor-led small-group interventions for the lowest-performing quartile of students. At our first school, in each of the first two years of operation, over 90 percent of the students in RTI were able to move from the bottom two quintiles in state performance to basic and above in a single year. Rocketship’s goal is that every student in RTI should advance at least one extra

year in academic growth by participating in the two-hour after school program during the school year.

Rocketship's goal is to advance students one-quarter year *solely* from their time in Learning Lab. When students achieve this, it will be in large part because of the power of individualized curriculum to remediate problems more quickly than a classroom setting. This in turn makes a child's time in the classroom more productive because he or she will have fewer gaps preventing understanding.

Ultimately, Rocketship intends to prove that tutors and technology can be better instructors of basic knowledge such as math facts, sight words and phonics, while teachers are best at guiding student instruction on higher-order critical thinking skills. Examining the cycle of instruction below, our intent is to automate the lower half of the circle through tutors and technology, giving teachers more time to work on the key thinking skills in the top half. Additionally, teachers are empowered with our Teacher Dashboard, a tool which gives them real-time information on student achievement from Learning Lab and lets them control the individualized instruction they receive in Learning Lab and RTI. Assuring teachers that students have mastered basic skills allows them to focus on teaching student to think. In this way, Rocketship students will effectively compete with students from higher-income areas, and students across the United States will compete against other nations.

Amplifying Great Teaching

The most profound way that hybrid schools will change public education is by improving the classroom leadership at each school. Major school districts have as few as 10 percent of their 8th grade math teachers making one year of progress, on average, with their students. In this situation, standard methods such as more effective hiring or better professional development seem unlikely to achieve anywhere near 100 percent effectiveness. A 50/50 online/offline hybrid school can hire half as many teachers and pay them twice as much, consistent with their expertise. This cuts demand for effective teachers in half and doubling pay greatly increases the supply of talented individuals interested in teaching. We believe this combination will allow the country to put an effective teacher in each classroom. There are three significant ways that hybrid schools can dramatically improve the educational leadership dilemma:

1. Decrease the required number of teachers while maintain outstanding educational quality.

Rocketship's hybrid model currently decreases by 25 percent the required number of teachers and could reduce it further with a 50/50 online/offline split. The hybrid school model dramatically reduces the need for new talent. For example, for 22 classes of students, we require 17 teachers. At a 50/50 split, Rocketship would require 11 teachers. That means we have to recruit half as many talented teachers as traditional schools.

2. Augment all teachers by supplementing their classroom instruction with tutors and technology.

If Rocketship's Learning Lab is able to drive .25 years of gain, that gain can be subtracted from gains required in the classroom. For example, if the school goal is 1.5 years of gain for each student, then each teacher would only need to make 1.25 years of gain, instead of 1.5 years. That, coupled with the effective .25 years Rocketship already gets from its RTI program (1 year growth for 25 percent of students), means that a Rocketship school can drive 1.5 years of growth on average, while teachers only need to drive 1 year of growth. Decoupling student performance from direct teacher input is a powerful way for schools to make significant gains without making significant changes to their quality of educational leaders.

3. Compensate high-quality teachers for their superb teaching

Because our compensation is based on student growth in each teacher's classroom, teachers with outstanding results move into higher pay bands. Rocketship currently pays teachers, on average, 20 percent more than surrounding district teachers. As the online portion of the day increases, pay will increase as well. It is feasible that *average* teacher salaries at Rocketship will be \$100,000 when 50 percent of the school day is online. This higher salary, possible because of the substitution of labor with technology, makes it much easier to attract and retain high quality teachers.

Financial Sustainability

Rocketship substitutes tutors and technology for teachers during our two-hour Learning Lab and our after-school Response to Intervention program. Instead of certified teachers supervising Learning Lab, Rocketship employs hourly employees trained on basic skills. All instruction is via computers. This substitution allows Rocketship to hire five fewer teachers for a campus with 450 students, effectively saving 25 percent of normal labor costs and 15 percent of overall operating costs. At present, this savings equates to \$500,000 per year per school in California. Rocketship re-allocates these funds into additional academic enrichment programs, staff leadership development and teachers' compensation.

Rocketship has a fixed quality goal of every student reaching grade level by fifth grade. We do not compromise that goal. As the quality of online instruction increases, Rocketship will increase online time. We believe that a 50/50 online-offline split is achievable. We anticipate the majority of basic skills instruction and practice will occur online, freeing teachers to focus on problem-solving and higher-order thinking skills. A 50/50 split would also equate to a 30 percent, or \$1 million reduction, in operating costs compared to a traditional elementary school model.

The Four “Big Rocks” of Rocketship’s Future

Rocketship’s initial funding focused on proving that its model could be replicated and scaled in San Jose. This process is well under way, with a strong leadership, charter and real estate pipeline already established. Our major systemic challenges—what we call the “big rocks”—are focused on the core values of Rocketship and the need to tackle our next challenge, expanding to new regions. The four big rocks are:

- Empower: Parents Transform Politics
- Lead: Leadership Development
- Individualize: The Hybrid School Platform
- Expand: Plan Intelligently for Expansion

Empower: Parents Transform Politics

Rocketship believes that parents, as the most deeply invested individuals in the education of their children, must take control of the public education system. In order for the system to appropriately value students and student achievement, parents need to occupy school board seats and become the dominant force in school board elections. Charter schools challenge vested interests. For this reason, many individuals and organizations only support elected officials who agree to actively oppose charters. While Rocketship has already had significant success empowering our parents to advocate with existing school boards and elected officials, this approach is only effective when officials are not being elected with an explicit promise to oppose charters. The charter school movement has been naïve to believe that it can avoid election activity.

In 2009, a group of concerned parents and community leaders formed Parents for Great Schools, a San Jose Political Action Committee that focuses on getting parents involved in campaigning for pro-reform school board candidates. Because Rocketship has already established a culture of strong parental involvement, we have the potential energy to help parents reach beyond their own school. On Rocketship’s side, our work will focus on better networking our parents by creating classroom and school parent leadership positions, which create more communications and education for parents on external political issues affecting their children. These parent leaders will decide if they want to catalyze election work with our partner organizations. Over time, empowered, informed parents actively engaged in electing the right officials will make education reforms like charter schools long-lasting.

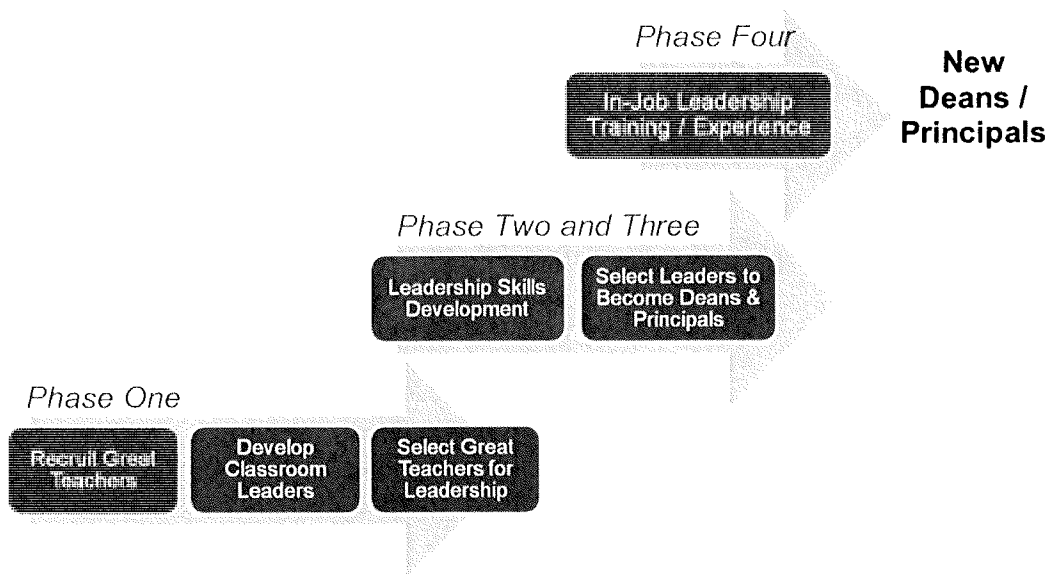
In addition to this grass-roots political work, Rocketship focuses on grass-top community leaders by empowering them to use Rocketship to achieve their goals. This has resulted in a key partnership in San Jose, *San Jose 2020*, in which several leading charter organizations and school districts have partnered to close the achievement gap by 2020. The coalition, headed by the mayor of San Jose and Santa Clara County Superintendent of Schools, gives Rocketship and other high-performing charters the political space to expand.

In San Jose, the Alum Rock Union School District has fifteen low-performing schools, yet it has not approved a single charter in the last seven years. Only recently have they granted one facility to a charter organization. For the students in this district to get the excellent school choices they need, the district needs a board focused on providing the resources necessary for charter schools to succeed. At a state level, effective advocacy is necessary to raise limits on the amounts of charters and to continue to de-regulate charter operations in the state. Cities like New York and Chicago are also hamstrung by low state charter caps that make their mayors much less effective at turning around their school systems, because they cannot control the number of schools that a charter network can start.

As Rocketship expands, both our advocacy work and partnership with Parents for Great Schools (and similar political action organizations) will form a core component of our expansion into new cities and state-level advocacy.

Lead: Leadership Development

Rocketship has amazingly talented teachers and great potential to develop them into both classroom and school leaders. We have begun to formalize the Rocketship Leadership Development Program (LD), a four-phase program to develop our talent in the classroom and then into Principals and Academic Deans.



LD includes:

- Phase One – General leadership training for all teachers at all schools will be conducted by the school Principal and Academic Dean.
- Phase Two – Selected leadership candidates will assume school-level leadership positions and have a mentor from the regional Leadership Development team.

- Phase Three – After being chosen to be a school leader, candidates will participate in a final year focused on “Principals-in-Training” and “Deans-in-Training.”
- Phase Four – Ongoing in-service support for Principals and Academic Deans will be provided in their first two years of leadership by the Regional Director.

Phase One, managed at the school level by the Principal and Academic Dean, is focused on helping staff members develop various classroom management and leadership skills that are crucial to their ability to be successful in future positions, as they advance to different areas of leadership within Rocketship. This development occurs through three primary measures. First, the Principal has explicit leadership development goals for each teacher, based on their experience level. For all staff members, Principals have two instructional strands selected and one leadership strand. First year leadership skills include, for example, personal organization, time management, and giving and receiving feedback. These leadership goals are written into each teacher’s Professional Growth Plan and are monitored and evaluated throughout the year. Throughout the year, the Principal, and at times the Academic Dean, are responsible for coaching the staff member on these first-level leadership skills.

Upon being selected to participate in Phase Two of the Leadership Development Program, leadership candidates are appointed to leadership positions within their school and have an assigned Leadership Development mentor from the region. The second year focuses on more difficult leadership skills (conflict management, one-to-one’s, etc.) that require more in-depth embedded practice. The cohort of leaders receive a variety of supports in their development from Leadership Development personnel including:

- Large-group sessions focused on leadership traits
- Small group or one-to-one training sessions that focus on more specific leadership tasks or traits.
- Embedded leadership tasks and activities. For example, some staff members may be responsible for monitoring homework completion, a grade level’s levels parent participation, overseeing grade level and subject area unit planning, and assisting management of Learning Lab staff.

Phase Three leaders, called Deans-in-Training and Principals-in-Training, have been selected to become leaders of schools and Phase Three is a one-year program to prepare future Principals and Academic Deans. Phase Three follows a similar format to Phase Two but with more explicitly defined activities. Deans-in-Training continue to work full-time as teachers while Principals-in-Training are given a full year with no teaching responsibilities to prepare for their next role. Deans-in-Training will be responsible for actively mentoring some staff members to realize significant gains and assisting in the management of the Response to Intervention program. Rocketship currently partners with Kellogg Business School at Northwestern University to provide summer training to its Principals-in-Training 15 months before school opening. After undergoing summer training, Principals-in-Training will spend the first six months of the year working at an existing Rocketship school with a mentor Principal to learn about Rocketship’s culture, operations, and approach from that Principal’s perspective. Principals-in-Training during first semester are responsible for conducting school culture activities like Rocketship

Launch, Community Meetings, coordinating home visits, and evaluation of a subset of teachers. From January of the year prior to opening, Principals-in-Training will work full time on Student and Teacher Recruiting and all other aspects of having the school ready to open with the support of their Regional Manager. These embedded tasks for both PITs and DITs are critical to a participant's leadership development, and give us valuable insights into the areas necessary for additional growth in preparation to become Deans or Principals.

Phase Four is designed to support new Principals and Academic Deans as they develop as leaders. Conducted primarily by the Regional Director for their school cluster with assistance from the Leadership Development team, supports will include one-on-one mentoring and development against a leadership rubric as well as regional-level classes encouraging reflection and collaboration on leadership challenges and solutions.

Individualize: The Hybrid School Platform

Rocketship is building the Hybrid School Platform, the software infrastructure that will allow Rocketship to operate hybrid schools effectively and lower the bar for entry to new hybrid school operators. Hybrid schools require a synchronization of student achievement data between online instruction and classroom instruction, in order to give Principals the tools they need to make sure that their school is producing desired student gains in both areas. By collecting data from both the online and classroom programs, real-time information on student achievement becomes available for ensuring data-driven instruction throughout the day. This is a major evolution in the use of data for schools. The Hybrid School Platform consists of two loosely coupled products, the Teacher Dashboard (TD) and the Business Automation (BA) system.

Teacher Dashboard

The Teacher Dashboard is an important component of Rocketship's Hybrid School Platform, which enables teachers to focus on classroom-based instruction, guided practice and extending students' critical thinking skills, while using tutors and Learning Lab computer resources to reinforce students' basic skills acquisition, assessment and acceleration or intervention (if required).

The Rocketship Teacher Dashboard is an online learning resource to assist Rocketship educators – teachers, academic deans, principals, Learning Lab and Reading Center staff, and tutors – in helping each Rocketeer student to succeed, based on his / her individual strengths and weaknesses. The Teacher Dashboard provides a unified “view” into each Rocketeer's academic portfolio, and consists of a dashboard of student progress for each student. The dashboard tracks progress based on the major standards defined by the school and allows teachers to

- Identify a student's specific learning challenge early by seeing the student's mastery relative to the goal

- Quickly drill down to identify the underlying skills deficits which are preventing mastery, and
- Prescribe an appropriate remediation (via tutoring or online learning)

By leveraging the Teacher Dashboard, teachers can augment important classroom work – instruction, guided practice, and critical thinking skills enhancement – with targeted and individualized independent practice, assessment and remediation that occurs in Learning Lab, with homework and with tutors (as needed).

Benefits of the Teacher Dashboard

Both educators and student Rocketeers benefit in multiple ways from the Teacher Dashboard. First, since all educators are using the same consistent interface to assess, prioritize, monitor and manage student learning, teachers can make collaborative, more fully informed decisions about each student’s individual learning needs. In addition, use of the Teacher Dashboard as the repository for a student’s Individual Learning Plan ensures that each student’s out-of-class time is maximized to address his / her own individual learning needs. Finally, the students benefit from having the perspective and collaboration from multiple educators to boost their academic progress. Key benefits of the dashboard include:

- Real-time feedback on student progress. Real-time assessments – from tutors, learning lab, from online curricula and external online assessments – are available for teachers to track and prioritize each student’s progress.
- More effective lesson planning. Dashboard information gives teachers useful context for planning lessons based on students’ current levels, enabling teachers to re-allocate instruction time for key topics, and regroup students based on mastery, as appropriate.
- More targeted, individualized instruction. Teachers can use this information to individualize instruction and to enable mastery of basic skills without jeopardizing classroom time spent on strengthening students’ critical thinking skills.

A Glimpse into the Teacher Dashboard

The following screens illustrate a sample of the contents of the Teacher Dashboard:

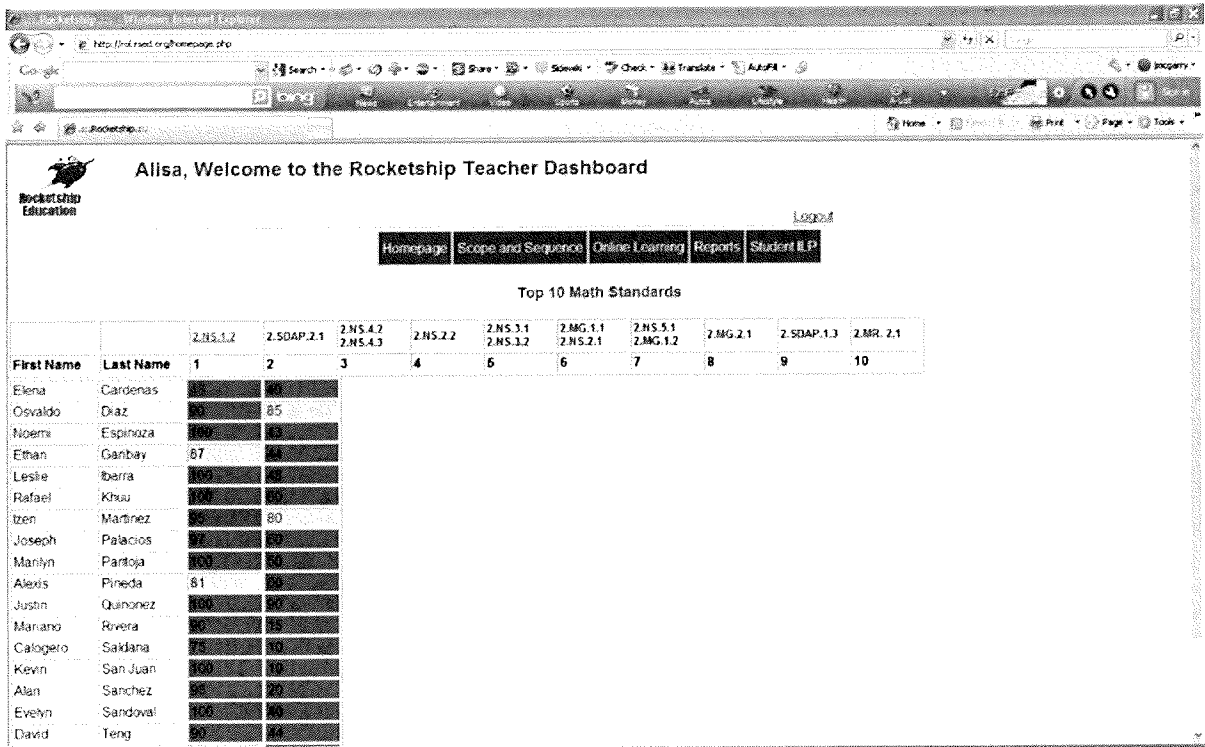


Figure 1: Example Class View for Top 10 Math Standards

This view into class performance by top 10 standards for a given subject quickly reveals which students are struggling with (red), succeeding with (green) or meeting (yellow) their learning objectives. In the example above, it's clear that most kids have achieved proficiency with Standard 2.NS.1.2. However, one student, Elena Cardenas, seems to be struggling. Using the Dashboard's class view, her teacher Alisa can quickly click into Elena's score for this specific standard, to pinpoint Elena's specific challenges (see Figure 2, below).

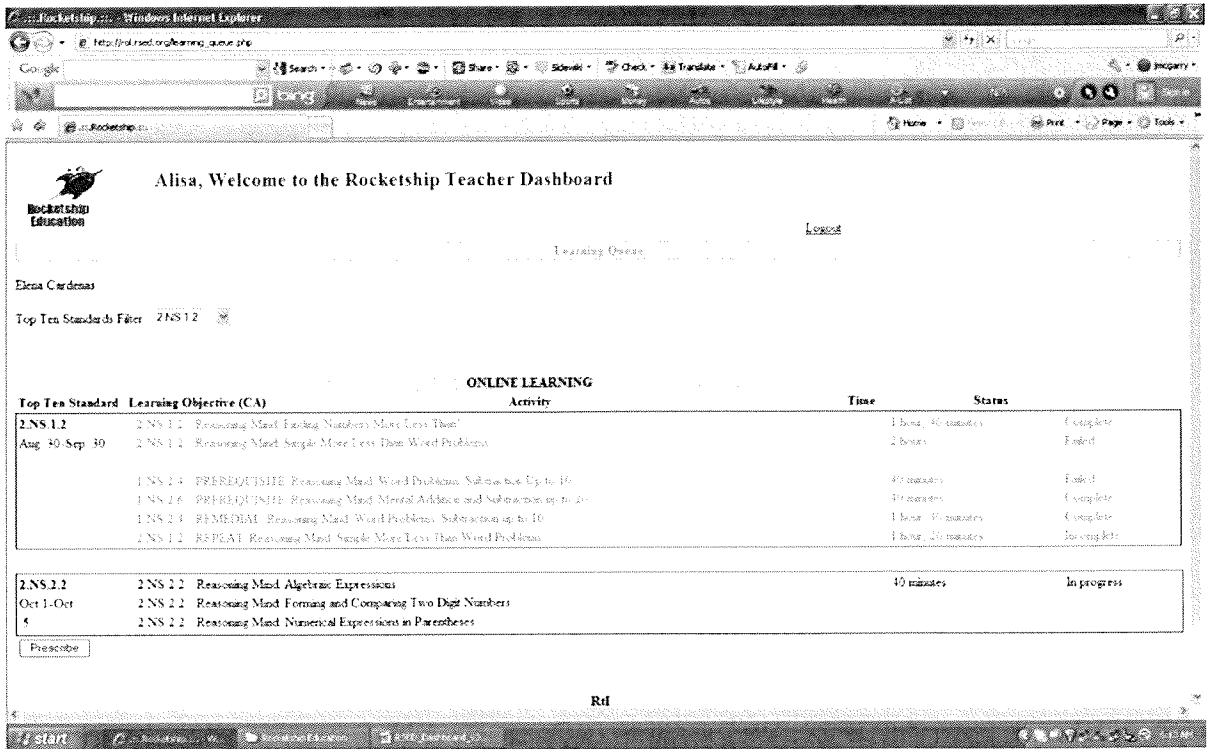


Figure 2: Example of a Student's Learning Queue

In Figure 2 above, the online learning queue reveals that student Elena Cardenas failed to complete an online program for less than / greater than word problems. If there are other students struggling with this standard, the teacher can quickly drill down into their progress too, to see if they should also be re-grouped during small-group guided practice in class (see Figure 3, below).

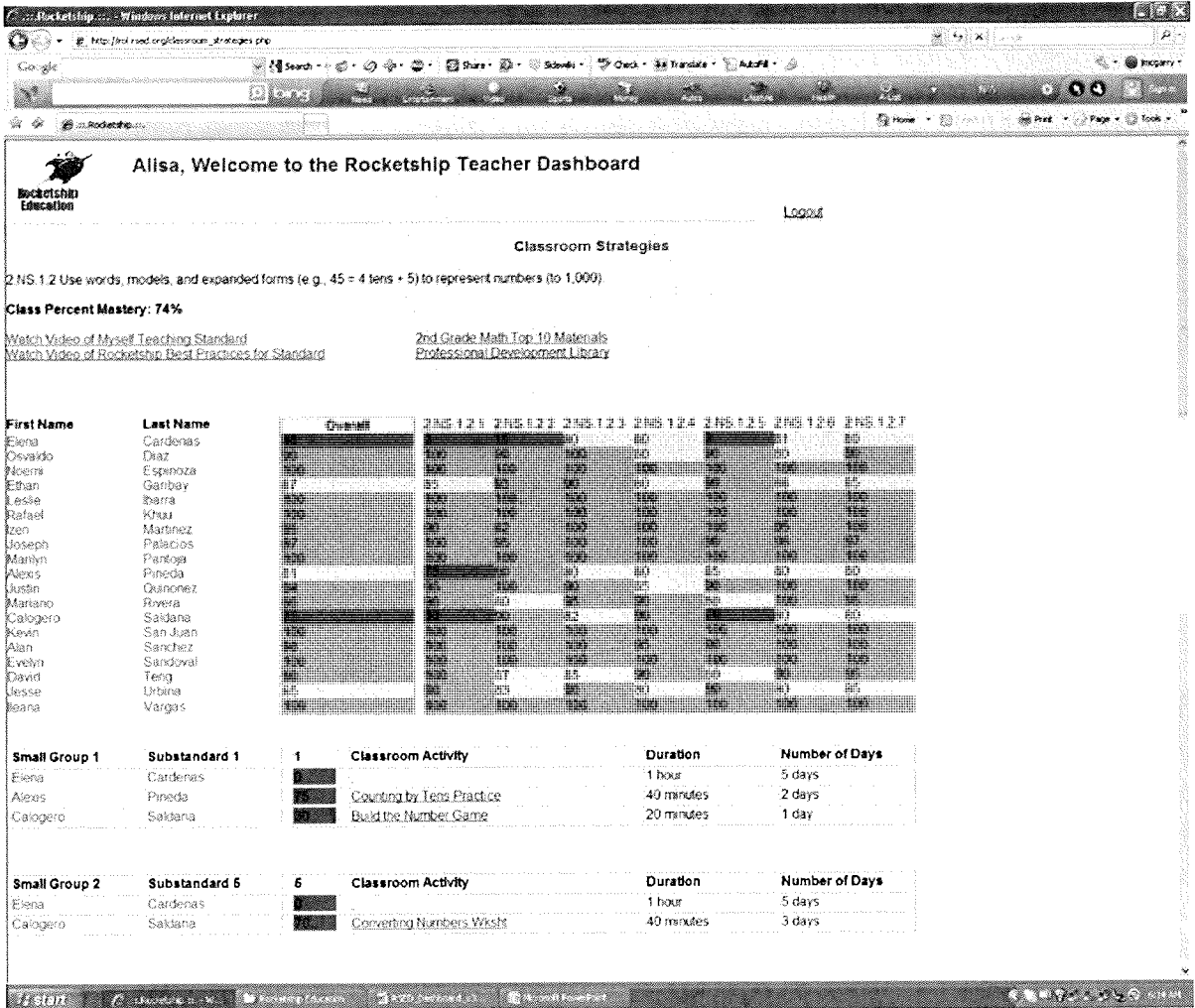


Figure 3: Example of Small-Group Assignments in Class

In the figure above, another student is struggling with Standard 2.NS.1.2. If the underlying causes for their scores look similar, teacher Alisa can re-group these children for targeted in-class guided practice. If Elena’s challenge is truly unique, teacher Alisa can then quickly identify other remediating activities to shore up her proficiency. This might include: changing Elena’s homework to focus on the building block skills that lead to less than / greater than word problems, targeted math tutoring exercises, or including specific online programs to address mastering this skill during Learning Lab. Once teacher Alisa prescribes this remediation, (s)he can continue to monitor Elena’s progress in and outside of class.

When the tutor logs into the Teacher Dashboard, (s)he can quickly check Elena’s new priorities for this session. Focusing on work related to less than / greater than word problems, the tutor will work with Elena and enter notes of the session, so that Elena’s teacher is updated with the outcome of Elena’s tutoring progress.

Because of Rocketship's Hybrid School model and the timeliness and detailed content made available through the Teacher Dashboard, Elena's specific learning challenges are identified early, so that her teacher Alisa can address them with a targeted combination of homework, in-class practice, tutoring and online learning. Monitoring and managing Elena's progress in real-time enables her teacher to help Elena while continuing with the teaching objectives for the entire class.

Teacher Dashboard Development Timeline

The Teacher Dashboard is currently a prototype. We intend to finish version 1.0 of the product during the 10-11 school year including the following:

- **Response to Intervention (RTI) automation.** For example, this category could include: creation of RTI 'playlists' to enable dynamic re-grouping of students and activities; automation of group assignments, creation of a baseline scaffold of "if/then" RTI activities, and RTI effectiveness metrics.
- **Assessments input and reporting (e.g., NWEA, interim, online and others).** For example, this category could include: exposing core reporting capabilities of 3rd party online learning systems to the Teacher Dashboard, and / or specifying a set of desired prototype reporting functionality from vendors in order to automate critical assessments.
- **Define and specify a common API** for software vendors to enable application and data integration into the Rocketship system. With this API, the Teacher Dashboard could incorporate single-sign on for users, facilitate the automation of lesson or unit assignments, and fully consolidate reporting capabilities from each online learning vendor.

Our hope is that after proof of concept is complete, we can find an entrepreneur or existing education software company who would like to commercialize the product.

Business Automation

The Business Automation system is the key component allowing Rocketship to scale at the target rate without hiring hundreds of additional back-office personnel. By automating many of the manual functions today, we effectively increase the ratios of schools to back-office personnel by an order of magnitude. The main areas of focus for the Business Automation system are Student Data and Performance management.

Student Data Management

Student data management is about storing student information centrally to allow the various school program leaders to access that information to make better decisions for each child. The profiles of individual students include non-achievement data such as demographics, attendance and other non-achievement characteristics of students. It is useful both for automating operations, and providing information needed by the student achievement system to report on subgroups of students.

Performance Management

To properly manage Rocketship as we grow quickly, it is crucial that we establish school-level metrics around the key success drivers and to monitor them daily. The Performance Management system gives Principals and National Office personnel the capability for daily monitoring. The Performance Management system requires integration and automation of many operational processes at our schools. The fundamental operational complexity of a growing charter school organization has to do with managing the number of individuals who “touch” data as it is gathered, analyzed and reported for any given requirement and the time frame in which the information must be gathered. To manage this effectively, the Performance Management system will integrate the Operations/Compliance systems with the Student Data Management system, automate many operational tasks, and distill information down to the metrics we use to run the organization efficiently.

Expand: Plan Intelligently for Expansion

Charter schools have had a difficult time expanding from their original regions to new ones. The only network which has successfully overcome the regional hurdle is KIPP. They focused significantly on Leadership Development and Trailblazing to reach success. Every new KIPP region was started by a Fisher Fellow, an individual selected and trained by KIPP in KIPP’s culture and program. This very selective one year program produced outstanding school leaders capable of doing everything needed to create a great school once it was approved and supported. To manage the political and financial process in new regions, KIPP create a team of Trailblazers who would identify new regions and begin work on political and financial support for KIPP two years in advance. The trailblazers were highly successful at creating the right conditions for KIPP schools and the outstanding school leaders were able to take it from there.

Rocketship hopes to build on KIPP’s success. We have worked with the Boston Consulting Group to develop an approach to regional expansion based on best practices both in the education and other industries. Rocketship’s team believes that in start-ups, one can significantly reduce the number of fires which the team must adapt to by predicting likely risks and creating strategies to hedge against those risks. The key risks which we see in regional expansion are as follows:

- Talent – The first key risk we must mitigate is that all Rocketship schools must be Close the Achievement Gap (CTAG) quality. This is much more difficult to do in a remote region. To ensure the best chance of success, we will move to new regions by moving effective Rocketship Principals from existing schools to the new regions. This places a significant burden on the Leadership Development program to provide take-over Principals for existing schools and to plan well in advance for leaders of new regions. Additionally, because of Rocketship’s

dependence on Teach for America for talent, we will not enter regions which do not have Teach for America.

- **Politics** – The second key risk for Rocketship in moving to a new region is that we must reach at least eight schools to be financially sustainable (management fees paying for regional support organization). To accomplish this, we take two main approaches. First, we build to eight schools very rapidly (5 years) to minimize the window of risk. Second, similarly to KIPP’s trailblazers, we spend years in advance creating the political will for Rocketship, beginning with an RFP process in which regional leaders commit to provide the environment needed by Rocketship. We also mitigate this risk by including full-time Policy personnel at a regional level beginning twelve months before school opening.
- **Funding and Facilities** – While Rocketship is much more efficient than other networks, it requires approximately \$2.5 million in grants to enter a new region. This pays for support personnel to be in the region before management fees pay for them.
- **Finance and Operations** – There are a number of legal, financial and operational issues around running hybrid schools in any region and making sure we have the ability to execute our model is crucial.

These major criteria and others are summarized in the following graphic:

Candidate selection

Candidate Selection Criteria

Category	Factors considered in candidate selection	Green	Yellow	Red
Human capital	Size of annual TFA program	>200	<200	<100
	Num TFA alums teaching in region	>100	50-100	<50
Financial sustainability	Local philanthropic giving to charters	Given \$1M+	Likely donors, past donors <\$1M	Unlikely
	State elig for Fed charter school startup funds	Yes	No	
Facilities	Launchpad confident of finding eight facilities in five years	Yes	Maybe	No
	Number of facilities provided to other charters	>8	1-8	None
Policy	Education code alignment	No issues	Minor issues	Large issues
	Availability of charters (under cap)	>50	25-50	<25
	Multiple parties can authorize or rule on appeals	Yes		No
Support	Local Ed Board support of ed reform/charters	Positive ed reform voting record	Mixed ed reform voting record	Anti-charter voting record
	Charter support from other local players	High	Mid	Low
	Oversaturation of elementary charters	Lots of space	Medium amount	Oversaturated
	Penetration of current charters	10%+	5-9%	<5%
	Presence of grassroots parent organizing group	Yes, 5+ years	Yes, <5 years	None identified
Students and need	Presence of PAC	Yes, w/ proven success electing candidates	Yes, having gone through at least election cycle	None, or extremely new
	Enrollment of PI elementary schools in the region	>30K (<12% needed)	15-30K (12-25% needed)	<15K (>25% needed)

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Rocketship’s expansion will be led by its Planning department, which will lead the effort to determine new regions for Rocketship, coordinating our Policy, Leadership

Development, Finance and Operations groups to thoroughly investigate the potential of regions several years before opening.



Region Selection

	Outside-in research		Planning	Engaged diligence	
	1 Initial screening	2 Candidate selection	3 City-level planning	4 Partnership application	5 Final city selection
Outcomes	~12 screened cities	~8 potential candidate cities	~4 candidate cities	~3 applicant cities	1 selected city
	Strategic goals for expansion phase	Initial view on city attractiveness	Sense of each city's key obstacles	Stakeholder commitment; relationships	Win-win terms (ed code, facilities, etc.)
Actions	Only consider cities with TFA presence	Assess cities based on public data	Create detailed plans for RSED functions, screening for dealbreakers	Send application to candidate cities	Interview all cities submitting applications
	Apply strategic criteria based on near-term expansion goals	Engage in conversations with local CSAs	Select highest-potential cities to receive partnership applications	Engage with cities as they complete application	Engage more deeply with stakeholders in most promising cities
	Create list of screened cities	Select cities for deep-dives prior to application process		Receive completed applications	Select city
Potential duration	1 months (Jul)	2 months (Aug-Sep)	3 months (Oct-Dec)	3 months (Jan-Mar)	3 months (Apr-Jun)
Completed before launch	37 months	35 months	32 months	29 months	26 months

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Rocketship has begun planning three years in advance of its Fall 2013 opening of its second region; we are in the City-level planning phase with two regions: Denver and Houston. We have site visits scheduled with both teams of city leaders this Fall, are conducting due diligence and will complete region selection by June 2011.

Fundraising

Rocketship has an innovative school model, which allows our schools to spend 35 percent of operating revenue on Rocketship's management fee, licensing fee and real estate leases. To date, even the most effective organizations in the charter world have financial models which allow for 20 percent to be spent on these areas. Because Rocketship teacher staffing is 75 percent of the typical elementary school, we spend approximately 15 percent less on school operations than other organizations. Our management and licensing fees are 15 percent, while 7 percent is typical for many organizations. These higher fees allow us to staff both our national and regional offices with top quality staff and, during start-up of a new region, allows the Regional Office to break-even sooner. A Rocketship region will spend approximately \$2.3M on unreimbursed staff salaries until it has eight schools operating and fees sufficient to fund regional and national office staff. We anticipate that this initial \$2.3M per region will come from a combination of national and local funders. Once the first eight schools in a city have opened, Rocketship will be self-sustaining in the region and can open as many schools as required without additional fundraising. Over time, management fees will

allow Rocketship to fund future regional expansion without the need for additional fundraising.

Rocketship raised \$5M in March of 2009 from Reed Hastings and the Charter School Growth Fund to fund the development of the first seven schools in San Jose. This money has helped us to break even at a regional level in San Jose. With the success of our first two schools and opening of our third school in Fall of 2010, Rocketship is beginning to work on preparing for national expansion. In our original business plan, we expected to open in our second city in 2015-16, and did not include the budget for development of a national team and systems. With increased pressure to expand and a desire to test our model outside of San Jose, we are fundraising \$10M to move our four "Big Rocks." Our fundraising need breaks down as follows:

1. Leadership Development – \$2M to fund primarily personnel hiring acceleration and systems development
2. Hybrid School Platform – \$4M to drive the integration of multiple vendors into a coherent hybrid school learning environment
3. Parents Transform Politics – \$1M to accelerate personnel hiring to drive this initiative
4. National Expansion – \$3M to fund operations and academic work necessary to smoothly scale to another city and hire the regional team to manage the new region

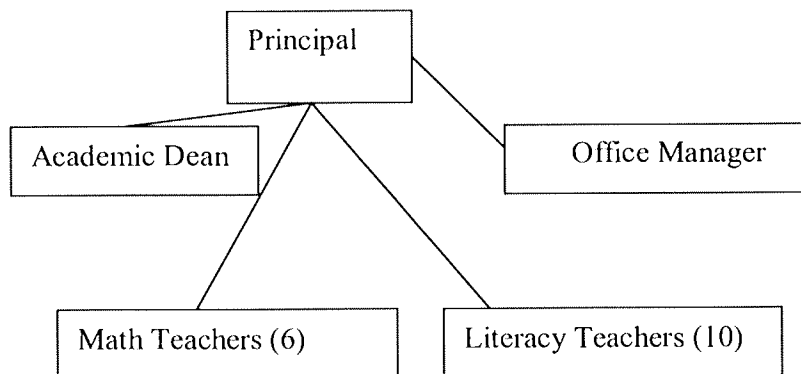
Rocketship is excited to be at the turning point of the charter industry, moving from small regional networks of a few dozen schools to national networks of thousands of schools. We believe that the hybrid model gives us both the financial and staffing advantages we need to be the first to accomplish national expansion and scale. We are encouraged by both political and foundation recognition of the potential for the Rocketship approach. With this round of funding, we plan to demonstrate through our success at scale that charters can close the achievement gap between low-income and middle-income students across the nation.

Appendix A - The School Model

Basic School Characteristics:

Number of Students	500 (392 year one, 464 year two, 500 year three and beyond)
Number of Teachers	16
Grade Levels	K-5
Demographics:	70 percent or more Free and Reduced Meals

Rocketship School Organizational Structure



Academic Dean

The Academic Dean is responsible for the overall academic success of the school through full-time mentoring of teachers and management of the Response to Intervention program. Rocketship Deans earn up to \$100,000 annually if they meet all performance goals. It is our preference to hire our Academic Deans from the pool of exemplary Rocketship teachers in each subject area.

Office Manager

The Office Manager is the primary point of contact for all parents, students and visitors who pass through the front office on a daily basis, manages all on-site classified personnel, and school operational responsibilities including: school staff personnel data management; campus health and safety maintenance; the management of breakfast/lunch/recess staff; Learning Lab staff; student enrollment and data

management; and attendance maintenance and reporting. The Office Manager reports directly to the school Principal, and works closely with the Regional Operations Manager in the training, ongoing support and reporting accountability of all operational responsibilities. Rocketship Office Managers earn up to \$60,000 depending on experience and the achievement of goals.

Teachers

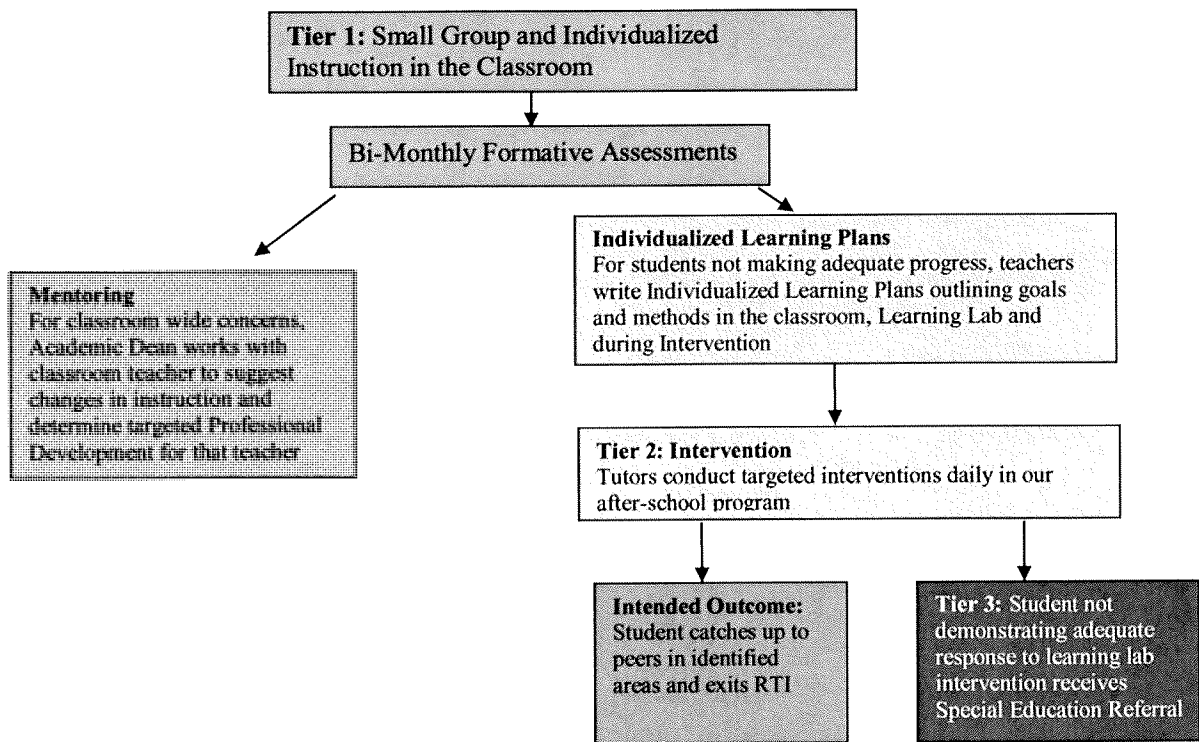
Teachers specialize in Literacy or Math and teach approximately seven hours per day in their subject. Rocketship recruits four Teach for America corps members to each school each year. This means that every school in year two and later has eight corps members of its 16 teachers. We have proven success over three years in developing outstanding college graduates with our rigorous Leadership Development program and full-time mentoring by Academic Deans. Not only have our corps members significantly outperformed corps members nationally, but we have had no attrition of corps members after finishing their two years of service. The opportunity to work in a high-caliber professional work environment, perfect their teaching and have the opportunity to advance into leadership positions are the most often-cited reasons for teacher satisfaction. The other half of our staff generally consists of Teach for America alumni and other outstanding recruits from regional school districts. Rocketship has been fortunate to establish a national reputation with Teach for America and has several of the best teachers from other cities around the country who have chosen to join Rocketship over the last three years. This abundance of talent, apparent in day to day teaching quality, is a validation of our unique Leadership Development strategy.

Appendix B – Individualization

In low-income neighborhoods, most students come to school with special needs, whether they are English Language Learners, below grade level in Reading or Math, or have other emotional or behavioral needs. This reality has led Rocketship to implement a full Response to Intervention (RTI) program, a special education system providing Individualized Learning Plans to students to meet each of their needs and providing after-school interventions for the bottom quartile of students. Unlike most Charter Management Organizations that have their academic teams focus heavily on whole-class curriculum, Rocketship focuses primarily on Individualization. In the 08-09 school year, our RTI program moved over 90 percent of our bottom quartile students to Basic and above, allowing them to take full advantage of whole-class instruction. The overall goal is that any child entering our after-school RTI program will achieve an additional year of growth beyond the average for students at Rocketship.

Rocketship's Three-Tier Response to Intervention Approach

Response to Intervention (RTI) is a system developed originally in the Special Education community for addressing the needs of large populations of special needs students. Because Rocketship serves extremely low-income areas and ones which often have a large number of English Language Learners, we have fully implemented RTI. The core value proposition of RTI is that through frequent internal assessments, teachers are able to quickly identify students who need additional assistance and then tailor both classroom instruction and tutoring to every student in need. Below is a graph of our RTI process.



To begin the cycle, we look at interim assessment data for students achieving far below their peers or not making enough progress in the classroom to catch up to their peers. This information is translated visually by the staff into Assessment Walls for each class, showing which students fall into each quintile, ranging from “Far Below Basic” to “Advanced.” Teachers then write an Individualized Learning Plan (“ILP”) for students whose achievement falls below “Proficient.” ILPs include assessment information, explicit goals for the student, classroom modifications, and goals for tutors to accomplish with each student. These students are given 30 minutes during our After School program each day when they work directly with a tutor on the specific skills they are targeting. For example, if a student has fallen behind on their sight words in first grade, the After School intervention would focus on sight words until that student had caught up to peers. We assess students’ progress every eight weeks, measuring to see if meaningful progress has been made by the intervention students. If we do not see progress, we may conduct a Student Study Team Process and revise the Individualized Learning Plan. If this still fails to help catch the student up, they enter into the Special Education assessment process. Because Rocketship is an LEA for Special Education purposes, all of our special education professionals work directly for Rocketship, giving us more control to ensure that Special Education student Individualized Education Plans are aligned with the goals of that student’s ILP.

The process of looking at interim assessment data and formulating a proper ILP takes practice from teachers and is an area we spend time both in formal professional development and in mentorship between the Academic Dean and each teacher. Our

teachers will spend a significant amount of time with the Academic Dean analyzing overall class performance to know in which areas they need to develop their skills. Equally important is the deep knowledge that a teacher builds over time of the specific types of problems that students may have and the best ways to overcome these problems. Teachers will focus on more effective diagnoses of students' problems and development of effective scaffolding for these students while building the Individualized Learning Plans.

The most striking validation of the effectiveness of Rocketship's RTI program is the number of students who placed in the bottom two quintiles on the California Standards Test. In 2007-08, only 8 percent of Rocketship students placed in the bottom two quintiles in English Language Arts compared to 45 percent for surrounding schools. No Rocketship students placed in the bottom two quintiles in Math, compared to 29 percent in surrounding schools. Our constant monitoring and tutoring of our most needy students drives the movement of these students from the bottom quartile to the middle and top. In addition to the 54 percent of students testing Proficient or Advanced in English Language Arts, another 37 percent tested Basic, setting them up to rise to the top with one more year at Rocketship. This also demonstrates the powerful effect that RTI can have on English Language Learners. It is close to impossible to score Proficient or Advanced on the CST without leaving the bottom two levels – 1 and 2 – of English Language Learners, so the fact that 54 percent tested in the top two quintiles indicates that at least one third of our ELL's will be close to exiting after just one year in the school. As we continue to refine our RTI process, we hope to replicate this effect of virtually eliminating the number of students we have in the bottom two quintiles each year.

Computer-based Individualization

While the hybrid model and the extra investment it allows have already made Rocketship among the highest performing in the state of California, Rocketship will improve both quality and scale as we take our individualization to the next level by providing systematic individualized instruction through computers.

The advantages of using computers for individualization is that they can remember the complete map of a child's educational objective mastery and have the patience to work on each objective until mastery is achieved. This process begins by automating the ILPs for each child so that they are accessible by our online Learning Management System (OLMS). When a child logs in, the OLMS will select a lesson targeted toward filling the holes in the student's objective "mastery map." At the end of the lesson, the child will complete a brief online assessment to determine if progress has been made on mastering the objective. Based on that assessment, we decide whether to move the child to the next objective. We also determine over many students whether that lesson appears to be effective in helping students master that objective. Over many sessions, the computer will help to fill many of the holes in a student's mastery map.

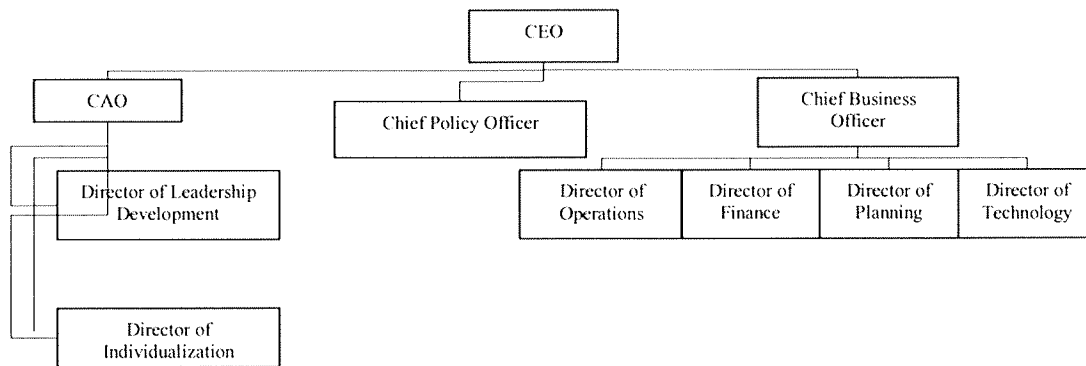
The three biggest hurdles we face in creating the online portion of our individualization system are:

- Computers need a much more detailed map of all of a child's objective mastery than is currently used by teachers or school systems. Creating this map involves identifying thousands of objectives and mapping them to lessons in order to allow for proper targeting of lessons by a computer.
- Introducing the concept of outcomes-based lesson targeting into the computer curriculum industry is challenging. Most vendors sell monolithic systems to districts that don't measure outcomes of the systems, much less the lessons.
- Once vendors buy in to accountability for results, adaptive systems are challenging to build, because they require embedded assessments in the curricula and error analysis that jumps to new lessons as needed. This type of branching is not common in systems today.

Rocketship benefits from being in the heart of Silicon Valley. Many of our supporters are dedicated to the goal of automating basic skills instruction and are willing to incent vendors to follow our path. We are confident that we will evolve to a system that hits our goal of .25 years of student progress per year within five years. We also believe that individualizing with the computer will eliminate the majority of basic skills instruction in the classroom, freeing teachers to teach students how to think. This will have a similar effect on education that the introduction of penicillin had on the practice of medicine. Penicillin allowed doctors to move from blood-letting and fever reducing to become skilled diagnosticians of disease and correct prescribers of medication. Similarly, computer technology will allow teachers to be valued for their intellectual capacity to diagnose problems and teach students to think, rather than simply for valuing the time they are willing to spend with children conducting rote practice exercises.

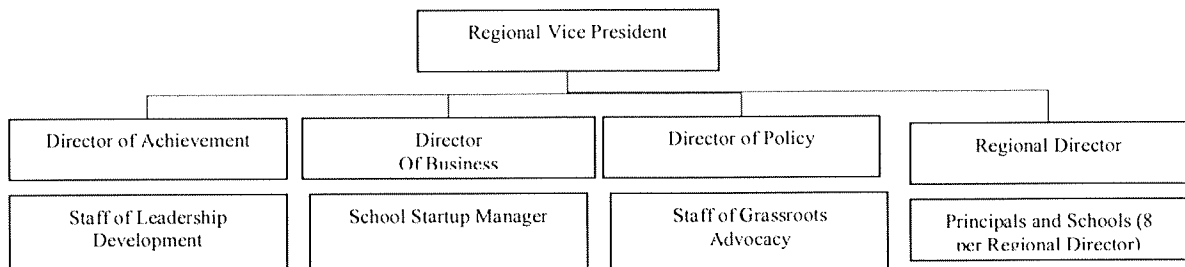
Appendix C - National Organizational Structure

Rocketship's national team is responsible for creating the systems and technology infrastructure which will allow Rocketship to scale to thousands of schools. The achievement team focuses primarily on Individualization and Leadership Development. The Operations team focuses primarily on the Hybrid School Platform and Finance. As part of the goal of empowering parents politically, Rocketship will hire a Director of Empowerment to coordinate the networking of parents at all of our schools.



Appendix D - Regional Teams

As Rocketship scales, we will have regional resources supporting the schools at a cost of 3 percent of school revenues. Each region consists of a group of school clusters. A cluster consists of a group of 8 schools located close together and a region consists of a group of clusters located within the large metropolitan areas in which we will locate our schools – roughly a geographic area in which all schools may be driven to within two hours. Each cluster will be managed by a Regional Director. Directors in Business, Achievement and Policy will direct approximately five staff members per cluster focused heavily on personnel recruiting, leadership development, and operational support. Each region will be managed by a Regional Vice President, who will manage the Regional Directors and three staff members focused on providing support for leadership development, empowerment and operations. Most of our operations work is centralized nationally, reducing the number of personnel needed regionally to manage operations. Achievement systems like Leadership Development and Individualization are created nationally but implemented locally. We intend to minimize the number of must-do's academically for schools, while providing default systems that new Principals can use. When a Principal demonstrates results, they will be given significant autonomy on staffing, budgeting and curriculum to foster innovation and new practices we can carry back to the national level. Because we centralize operations and provide many achievement systems, we are able to sustain our regions at 3 percent of school revenues once a region reaches seven schools.

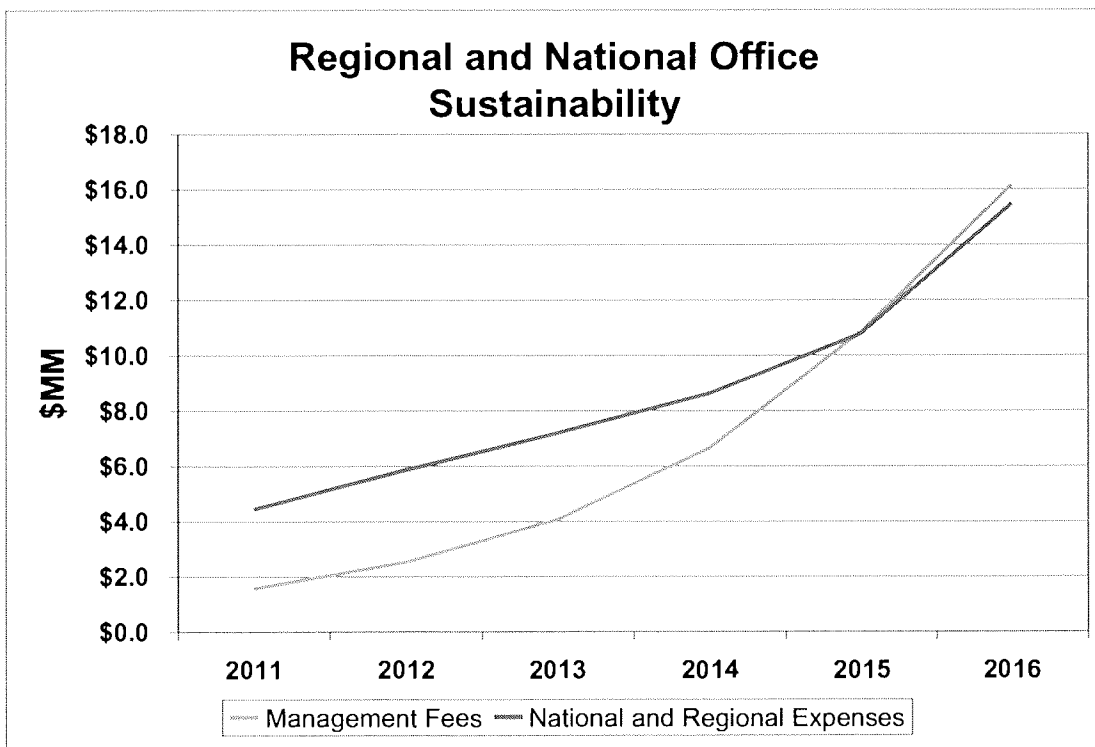


APPENDIX E – Financial Narrative

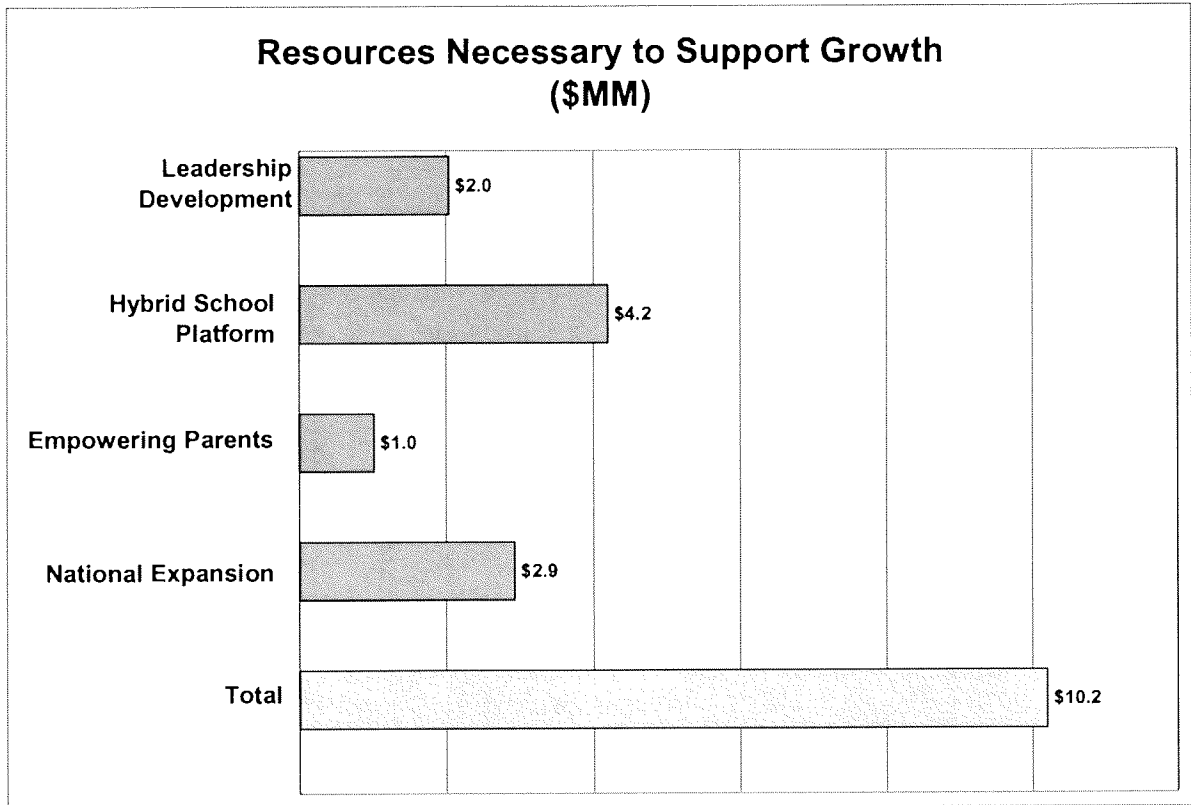
Executive Summary:

Due to the efficiencies achieved through Rocketship’s Hybrid school model, each Rocketship school breaks-even in its first year of operation while supporting lease payments and school management fees of up to 20% and 15% of revenues, respectively. As a result, Rocketship’s regional and national offices reach sustainability by 2015:

Sustainability			
Schools	School	Regional Office	National Office
	1	8	21



As a result of the \$5MM in grants from Reed Hastings, the Walton Foundation and the Charter School Growth Fund, Rocketship can expand in the Bay Area without additional fundraising. However, in order to expedite our growth into a new region by 2014, Rocketship needs to raise an additional \$10MM. These funds will be devoted to the following key initiatives: Leadership and Systems Development, developing and implementing our Hybrid School Platform, Empowering Parents to take over the political landscape, and the staffing and resources necessary to support National Expansion.



School Model:

Summary:

Due to Rocketship’s “Hybrid” educational model, each Rocketship school reaches break-even in year 1 of operation despite management and facilities fees that represent up to 35% of revenue.

Revenue:

Enrollment:

Each Rocketship school will open with grades K-3 and an enrollment of 392 students. In year 2, each school will add 120 kindergartners and maintain 90% of its current students to reach an enrollment of 445. In year 3+, each school adds an incoming class of 105 students to reach full capacity at 500 students. Based on Rocketship Mateo Sheedy’s first two years of operation, Rocketship projects that each school will maintain a 96% attendance rate based on each school’s focus on developing relationships with the families of its students through home visits. Each Rocketship school maintains an extensive waitlist of potential students to ensure that enrollment targets are met.

Enrollment and ADA Per Year

Enrollment	Year 1	Year 2	Year 3	Year 4	Year 5
Kindergarten	120	120	105	105	105
1st Grade	112	112	100	100	100
2nd Grade	80	80	80	80	80
3rd Grade	80	80	80	80	80
4th Grade	0	72	75	75	75
5th Grade	0	0	60	60	60
Total	392	464	500	500	500
Attendance Rate	96%	96%	96%	96%	96%
ADA	376	445	480	480	480

Demographics:

Based on the student demographics of Rocketship Mateo Sheedy and Rocketship Si Se Puede, Rocketship’s school model conservatively predicts the following student demographics:⁵

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8+
Free and Reduced Lunch (FRL)	70%	70%	70%	70%	70%	70%	70%	70%
Federal Poverty Level	50%	50%	50%	50%	50%	50%	50%	50%
English Language Learners	70%	67%	63%	60%	57%	54%	51%	50%

The English Language Learner percentage decreases over time as students increase their proficiency. For revenue purposes, the model conservatively uses 70% FRL, while the target for each school is actually 80%.

State and Local Revenues

Consistent with Rocketship’s past and current financials, almost 70% of the revenues for each Rocketship School are assumed to be derived from state sources. In order to be conservative, the school model estimates that every school (regardless of geographic location) will receive per pupil funding at the same level as California’s schools. Since California is currently second to last in the country in spending on public education per pupil, Rocketship views this assumption as extremely conservative.

Additionally, the model assumes that new charter schools will not be eligible to receive K-3 Class Size Reduction (CSR), Supplemental Hourly Instruction (SHI) or Arts and Music Block Grant funding. If SHI and Arts and Music become available, each school would be eligible for additional annual funding of over \$80K. Should CSR funding return, it would allow the school to reduce class sizes in Kindergarten and First grade back to a 20:1 ratio.

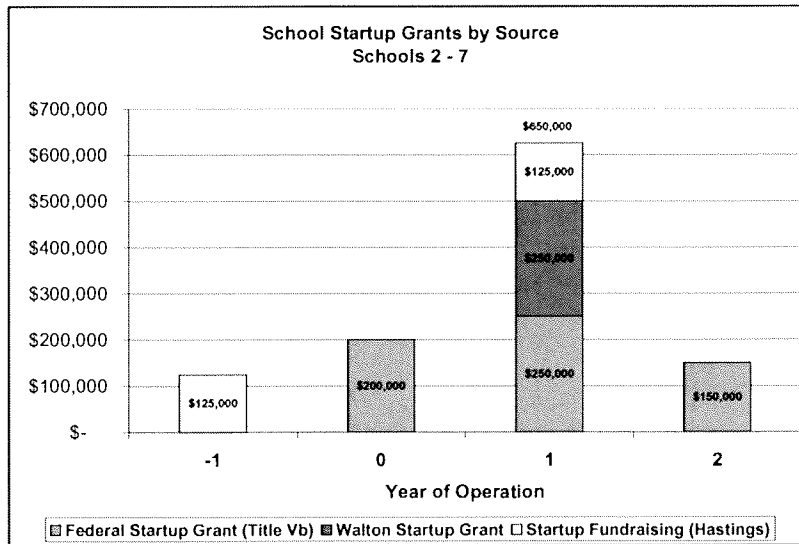
⁵ In 2008-2009, RMS was 77% ELL, 47% Federal Poverty and 87% FRL; This year RMS is 85% FRL, 73% ELL. This year, RSSP is 79% FRL, 86% ELL, 60% poverty level.

Federal Revenues

At full enrollment, each Rocketship School is expected to receive approximately \$150K in federal revenues each year through a combination of Title I, Title II, and Title III of No Child Left Behind (NCLB). Additionally, each Rocketship school will receive approximately \$150K in reimbursements from the National School Lunch Program.

Grants and Fundraising

The Walton Family Foundation and Reed Hastings have each pledged \$250,000 to Rocketship’s schools two through seven. In addition, each school is projected to receive \$600,000 in federal startup grants through Title V. The model assumes that Rocketship will receive \$250,000 in Walton Startup funding through school 30.



Composition of Funding

% of School Revenues	Sources of Revenue	
	Years -1 to 2	Years 3+
State General Purpose Funding	56%	67%
State Categorical Programs	19%	22%
Federal Sources	7%	9%
Fundraising and Other	18%	2%
Total	100%	100%

Revenue Growth

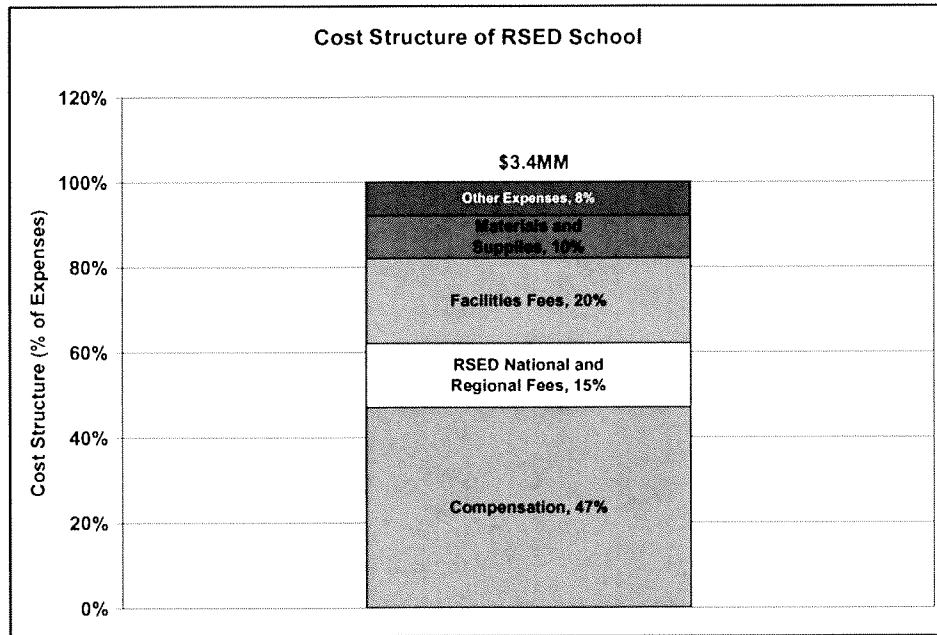
Based on the California and national economic crisis, Rocketship predicts minimal state revenue growth in 2011 and 2012 which gradually increases to a conservative 2% annual growth rate by 2013. In 2017, the model assumes that the California economy has recovered to the point where it can increase its level of funding to match the cumulative increase in expenses.

Annual Growth Rates	2010	2011	2012	2013	2014	2015	2016	2017	2018+
State Revenues	0%	0%	1%	2%	2%	2%	2%	3%	2%
Federal Revenues	0%	2%	2%	2%	2%	2%	2%	2%	2%
Expenses	0%	2%	2%	2%	2%	2%	2%	2%	2%

Expenses:

Cost Structure

The chart below reflects the cost structure for each Rocketship School.



Compensation and Staffing

Compensation represents almost half of the cost structure of each Rocketship school. Research demonstrates that high-quality teachers and principals are the key determinant of a school’s success. As a result, Rocketship believes in investing heavily in high-quality teachers and principals and compensating them accordingly.

Staffing Model: Not taking into consideration the increased class size in kindergarten and first grade as a result of the uncertain status of CSR funding, Rocketship provides all classroom instruction in a 20:1 ratio for grades K-3, while supporting a higher school-wide student-teacher ratio. This is because students have five hours of classroom instruction per day, while teachers typically teach between six and eight hours per day. Learning Lab is provided as an Intervention program and Learning Lab minutes do not factor into annual instructional minutes calculations.

School Staffing Structure

Staffing	Year 1	Year 2	Year 3	Year 4	Year 5
ADA	376	445	480	480	480
Teachers	12	15	16	16	16
Administrators	3	3	3	3	3
Other Staff	6	6	6	6	6
Total Staff	21	24	25	25	25

Teacher costs: Rocketship has set highly competitive base teacher salaries that are, on average, 10% higher than the districts in which its schools operate. In addition, all teachers are eligible to receive a 10% performance bonus. Rocketship has developed a partnership with Teach for America (TFA) which allows each Rocketship school to maintain 8 TFA corps members each year. Base salary for all teachers averages over \$53,000 annually. Including bonus, Rocketship's teachers are expected to earn approximately \$58,500 per year.

Bonuses: All full-time employees are eligible for a 10% performance bonus, while principals and deans are eligible for 20% bonuses. The model assumes each staff member attains their full bonus. Bonuses total over \$120K annually.

Benefits costs: To be conservative, the model assumes that benefits will cost approximately 22% of salary and bonus. While benefit costs have historically outstripped revenue increases, Rocketship has a younger teaching staff for which few staff reach their monthly limit. In order to limit benefit cost increases, Rocketship will use its increasing staffing numbers to create market power and achieve better rates. Additionally, Rocketship will seek opportunities to participate with other CMO's in purchasing cooperatives.

Administration: Due to the operational efficiencies established at the National Office, the administrative staff of each Rocketship school is almost entirely devoted to supporting teachers and students. Each school has a Principal, Academic Dean and Office Manager. The Principal is hired a year ahead of the school opening and hires an office manager 6 months before school. With bonus, Principals and Academic Deans are eligible to receive up to \$120,000 and \$100,000, respectively, in annual compensation.

Other Staff: Other staff include 2 full-time learning lab coordinators, 3 lunch workers (1.5 FTE), and 11 RTI tutors (2.75 FTE), all of whom make between \$10-\$15/hour.

MATERIALS AND SUPPLIES

At full enrollment, materials and supplies represent approximately 10% of each school's annual cost structure, although this category represents almost \$500K in initial startup expenses.

Office Supplies, Safety and Instructional Materials: These expenses include both administrative expenses such as copy paper, supplies and materials that teachers use in the classroom. These expenses amount to approximately \$50K annually.

Curriculum, Assessments and Library: Rocketship schools spend approximately \$15K each year on assessments (Dibbles, NWEA, DRA, etc). Additionally, schools purchase leveled library in their first three years of operations which costs approximately \$60K. They spend \$50K in year 1, \$5K in year 2, and \$5K in year 3. Finally, schools spend over \$70,000 on other forms of curriculum over its first two years of operation.

Food: The model assumes that each student will require approximately \$440 worth of food resulting in total expenditures between \$165K and \$210K. The food service program will operate at an annual initial loss of \$10K due to challenges in lowering food costs to levels

supported by state and federal funding sources and to the California's continued inability to fulfill its NSLP obligations. This loss is expected to decrease to \$5,000 within the first two years of school operation as the school achieves efficiencies.

Online Learning and Other Software: Rocketship schools spend approximately \$10K annually on an online student information system. In addition, the model projects that each school will spend \$100/student annually on online curriculum, representing \$50K at full enrollment.

Equipment and Furniture: Computers and Furniture represent over \$100K in the first year of a school's operations. Every year, schools will spend approximately \$10K to replace obsolete or worn out items. Additionally, the model assumes that each new staff member will need \$750 in equipment. From a cash flow perspective, Rocketship will explore capital leases in order to mitigate the large cash outflow in a school's initial years of operation.

CONSULTANTS AND OTHER OPERATING EXPENSES

Consultants and other operating expenses represent approximately 10% of each school's cost structure.

Teacher Recruitment and Certification: Due to hiring a large number of relatively new teachers, each Rocketship school is assumed to pay REACH and Teach for America \$3,500 per first or second year teacher.

Professional Development: Professional development is set at \$700/teacher, representing upwards of \$10,000 at full enrollment.

Special Education Services/Encroachment: Due to the effectiveness of Rocketship's Response to Intervention model, the schools are able to offset \$70/student in RTI expenses through the Special Education Program. This results in an offset of approximately \$35K at full enrollment.

District Oversight Fees: Each school will likely pay 1% of general purpose and categorical revenues to its authorizer as an oversight charge. This charge represents over \$25K annually.

Budget Contingency: Each school will reserve 1% of annual expenses for contingencies. This contingency represents approximately \$30K annually.

Special Education:

Special Education Services at Rocketship schools are provided by the RSED National Office. As a result, the National Office collects the revenues, provides the services and charges the schools a fee or "encroachment" which allocates the program's net loss to each school based on their ADA. From historical and current year financial information, the model estimates the program to break-even while including a portion of each school's RtI program.

Facilities Maintenance, Custodial and Utilities:

The model assumes \$55K in custodial and utilities expenses in year 1 as most maintenance will be covered under warranty. In future years, schools will be required to pay for ongoing maintenance, bringing the total to \$65K/year.

Physical Education: Each school will spend approximately \$25K for an outside contractor to provide guided physical education for students.

Assessment Team: \$20K will be spent annually on consultants to provide additional capacity during testing days.

Copy Machine: Due to the high level of homework that Rocketship students are expected to complete on a weekly basis, copy machine charges grow from \$20K annually in year 1 to \$30K in years 2+.

Field Trips: \$6K each year is devoted to enrichment and field trips at each school.

Substitute Teachers:

Rocketship uses external contractors to provide substitute coverage for teacher absences. It is assumed that each teacher will use their full allotment of sick and PTO by year end such that substitute expenses amount to \$2K per teacher, or \$32K annually.

Financing Expenses

Due to delays in state and federal funding, each Rocketship school is estimated to end each fiscal year with over half a million dollars in receivables. As a result, it will be necessary to obtain lines of credit that will allow Rocketship to maintain a minimum cash balance of 1 month of operating expenses. Rocketship staff are actively engaging potential financing partners regarding revolving lines of credit. The model assumes achieving a line of credit worth 60% of the accounts receivable balance at an annual interest rate of 4%.⁶ Additionally, each school is projected to receive \$250K through the CDE revolving loan program, payable over 5 years at an interest rate of 4%. For schools 8+, the revolving line of credit may not cover all cash flow needs. As a result, RSED will loan each new school \$120K by year 3 which will be paid back by year 7.

RSED Fees

For Rocketship’s first seven schools, it will charge each school 15% of revenues, excluding food service sales and reimbursements. Schools 1-7 also pay 25% and 15% of revenues to RSED during their startup years (years -1 and 0), respectively. For schools 31+, Rocketship will charge 10% of revenues in year 1 to assist that school in covering its start up expenses. These fees range from \$275K to \$480K annually.

Facilities Fees:

The model assumes that each school will provide a \$200K security deposit in year 0 which will be returned to the school in year 7. Additionally, each school will pay facility lease expenses to the LLC that represent 20% of the school’s annual revenue. These fees grow from \$550K in

⁶ Currently, Rocketship has a \$1.2MM line of credit relationship (up to 80% of receivables) at a rate of 4.25%.

year 1 to \$640K at full enrollment. While Launchpad is pursuing economies of scale that will allow it to require less than 20% of school revenue, the RSED model assumes a 20% facilities charge in perpetuity.

Management and Facilities Fees

	Yr -1	Yr 0	Yr 1	Yr 2+
Schools 1 - 30				
National and Regional Fees	25%	15%	15%	15%
Facilities Fees	0%	0%	20%	20%
Schools 31+				
National and Regional Fees	5%	3%	10%	15%
Facilities Fees	0%	0%	20%	20%

School Financials

Three versions (Schools 4-7, Schools 8-30, Schools 30+) of school-level financials are presented on the following pages. The primary differences between the versions are that schools 1-7 receive \$500K in startup grants and schools 8-30 receive \$250K in startup grants which result in higher facilities and RSED fees and lower financing charges because they require less working capital financing. As mentioned above, Schools 31+ are also charged less management fees in years 0 and 1 as they receive no private startup grants.

School Financials
Schools 4-7:

	Year of School Operation											
	-1	0	1	2	3	4	5	6	7	8	9	10
Summary Financials												
Enrollment												
Revenues												
State Revenue	\$0	\$0	\$2,414,556	\$2,827,914	\$3,064,891	\$3,073,795	\$3,066,163	\$3,059,167	\$3,052,489	\$3,045,811	\$3,042,313	\$3,042,313
Federal Revenue	\$0	\$200,000	\$487,402	\$429,795	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632
Grant Revenue	\$125,000	\$0	\$375,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$58,835	\$71,478	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800
Total Revenue	\$125,000	\$200,000	\$3,335,793	\$3,329,188	\$3,461,323	\$3,470,227	\$3,462,595	\$3,455,599	\$3,448,921	\$3,442,243	\$3,438,745	\$3,438,745
Expenses												
Salaries	\$0	\$111,400	\$1,061,600	\$1,255,200	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000
Benefits	\$0	\$23,971	\$250,240	\$294,566	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322
Materials and Supplies	\$0	\$3,950	\$510,673	\$342,404	\$356,750	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700
Operating Expenses	\$25,000	\$24,000	\$346,805	\$342,179	\$354,214	\$387,483	\$386,567	\$385,728	\$384,927	\$384,125	\$383,705	\$383,705
RSED National Fee	\$6,250	\$6,000	\$126,111	\$124,429	\$128,805	\$96,871	\$96,642	\$96,432	\$96,232	\$96,031	\$95,926	\$95,926
RSED Regional Fee	\$0	\$0	\$630,554	\$622,143	\$644,025	\$645,805	\$644,279	\$642,880	\$641,544	\$640,209	\$639,509	\$639,509
LP Facility Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Expenses	\$0	\$7,780	\$220,321	\$265,039	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388
Other Outgo	\$0	\$1,771	\$76,207	\$78,827	\$80,828	\$78,843	\$76,690	\$74,548	\$74,431	\$74,314	\$74,253	\$74,253
Total Expenses	\$31,250	\$178,872	\$3,222,511	\$3,324,785	\$3,463,331	\$3,452,412	\$3,447,588	\$3,442,996	\$3,440,542	\$3,438,088	\$3,436,803	\$3,436,803
Net Income	\$93,750	\$21,128	\$113,281	\$4,403	(\$2,007)	\$17,815	\$15,008	\$12,603	\$8,379	\$4,155	\$1,942	\$1,942
Ending Fund Balance	\$93,750	\$114,878	\$228,160	\$232,563	\$230,555	\$248,370	\$263,377	\$275,980	\$284,359	\$288,514	\$290,456	\$292,399
Reserve Balance (% of Expenses)	300%	64%	7%	7%	7%	7%	8%	8%	8%	8%	8%	9%
Cumulative Contingency Reserve	\$0	\$1,771	\$33,548	\$66,338	\$100,495	\$134,543	\$168,544	\$202,500	\$236,431	\$270,339	\$304,234	\$338,129
Reserve Balance incl Contingency	300%	65%	8%	9%	10%	11%	13%	14%	15%	16%	17%	18%
Ending Cash Balance	\$343,750	\$393,733	\$211,917	\$171,731	\$119,619	\$86,425	\$64,339	\$272,948	\$277,334	\$279,397	\$281,339	\$281,339

Schools 8-30

	Year of School Operation											
	-1	0	1	2	3	4	5	6	7	8	9	10
Summary Financials												
Enrollment	0	0	392	464	500	500	500	500	500	500	500	500
Revenues												
State Revenue	\$0	\$0	\$2,414,556	\$2,827,914	\$3,064,891	\$3,073,795	\$3,066,163	\$3,059,167	\$3,052,489	\$3,045,811	\$3,042,313	\$3,042,313
Federal Revenue	\$0	\$200,000	\$487,402	\$429,795	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632
Grant Revenue	\$0	\$0	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$58,835	\$71,478	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800
Total Revenue	\$0	\$200,000	\$3,210,793	\$3,329,188	\$3,461,323	\$3,470,227	\$3,462,595	\$3,455,599	\$3,448,921	\$3,442,243	\$3,438,745	\$3,438,745
Expenses												
Salaries	\$0	\$111,400	\$1,061,600	\$1,255,200	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000
Benefits	\$0	\$23,971	\$250,240	\$294,566	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322
Materials and Supplies	\$0	\$3,950	\$510,673	\$342,404	\$356,750	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700
Operating Expenses	\$0	\$24,000	\$333,055	\$342,179	\$354,214	\$387,483	\$386,567	\$385,728	\$384,927	\$384,125	\$383,705	\$383,705
RSED National Fee	\$0	\$6,000	\$121,111	\$124,429	\$128,805	\$96,871	\$96,642	\$96,432	\$96,232	\$96,031	\$95,926	\$95,926
RSED Regional Fee	\$0	\$0	\$605,554	\$622,143	\$644,025	\$645,805	\$644,279	\$642,880	\$641,544	\$640,209	\$639,509	\$639,509
LP Facility Fee	\$0	\$7,780	\$220,321	\$265,039	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388
Other Operating Expenses	\$0	\$1,771	\$62,760	\$78,365	\$80,313	\$78,809	\$76,720	\$74,575	\$74,457	\$74,340	\$74,266	\$74,253
Total Expenses	\$0	\$178,872	\$3,165,314	\$3,324,323	\$3,462,815	\$3,452,378	\$3,447,617	\$3,443,024	\$3,440,568	\$3,438,114	\$3,436,816	\$3,436,803
Net Income	\$0	\$21,128	\$45,479	\$4,865	(\$1,492)	\$17,850	\$14,978	\$12,575	\$8,353	\$4,129	\$1,929	\$1,942
Ending Fund Balance	\$0	\$21,128	\$66,607	\$71,471	\$69,979	\$87,829	\$102,807	\$115,382	\$123,735	\$127,863	\$129,792	\$131,735
Reserve Balance (% of Expenses)		12%	2%	2%	2%	3%	3%	3%	4%	4%	4%	4%
Cumulative Contingency Reserve	\$0	\$1,771	\$33,111	\$65,901	\$100,058	\$134,106	\$168,107	\$202,062	\$235,994	\$269,902	\$303,796	\$337,691
Reserve Balance incl Contingency		13%	3%	4%	5%	6%	8%	9%	10%	12%	13%	14%
Ending Cash Balance	\$0	\$50,072	\$56,306	\$12,905	\$11,401	\$3,261	\$18,401	\$31,114	\$114,695	\$119,051	\$121,099	\$123,041

Schools 30+

	Year of School Operation											
	-1	0	1	2	3	4	5	6	7	8	9	10
Summary Financials												
Enrollment	0	0	392	464	500	500	500	500	500	500	500	500
Revenues												
State Revenue	\$0	\$0	\$2,414,556	\$2,827,914	\$3,064,891	\$3,073,795	\$3,066,163	\$3,059,167	\$3,052,489	\$3,045,811	\$3,042,313	\$3,042,313
Federal Revenue	\$0	\$200,000	\$487,402	\$429,795	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632	\$313,632
Grant Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$58,835	\$71,478	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800
Total Revenue	\$0	\$200,000	\$2,960,793	\$3,329,188	\$3,461,323	\$3,470,227	\$3,462,595	\$3,455,599	\$3,448,921	\$3,442,243	\$3,438,745	\$3,438,745
Expenses												
Salaries	\$0	\$111,400	\$1,061,600	\$1,255,200	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000	\$1,319,000
Benefits	\$0	\$23,971	\$250,240	\$294,566	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322	\$309,322
Materials and Supplies	\$0	\$3,950	\$510,673	\$342,404	\$356,750	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700
Operating Expenses	\$0	\$0	\$156,666	\$342,179	\$354,214	\$387,483	\$386,567	\$385,728	\$384,927	\$384,125	\$383,705	\$383,705
RSED National Fee	\$0	\$6,000	\$121,111	\$124,429	\$128,805	\$96,871	\$96,642	\$96,432	\$96,232	\$96,031	\$95,926	\$95,926
RSED Regional Fee	\$0	\$0	\$555,554	\$622,143	\$644,025	\$645,805	\$644,279	\$642,880	\$641,544	\$640,209	\$639,509	\$639,509
LP Facility Fee	\$0	\$7,780	\$220,321	\$265,039	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388	\$270,388
Other Operating Expenses	\$0	\$1,531	\$60,496	\$77,390	\$80,313	\$78,809	\$76,720	\$74,575	\$74,457	\$74,340	\$74,266	\$74,253
Other Outgo	\$0	\$154,632	\$2,936,662	\$3,323,348	\$3,462,815	\$3,452,378	\$3,447,617	\$3,443,024	\$3,440,568	\$3,438,114	\$3,436,816	\$3,436,803
Total Expenses	\$0	\$45,368	\$24,131	\$5,840	(\$1,492)	\$17,850	\$14,978	\$12,575	\$8,353	\$4,129	\$1,929	\$1,942
Net Income	\$0	\$45,368	\$69,499	\$75,339	\$73,847	\$91,696	\$106,674	\$119,249	\$127,602	\$131,731	\$133,660	\$135,602
Ending Fund Balance	\$0	29%	2%	2%	2%	3%	3%	3%	4%	4%	4%	4%
Reserve Balance (% of Expenses)												
Cumulative Contingency Reserve	\$0	\$1,531	\$30,607	\$63,397	\$97,554	\$131,602	\$165,603	\$199,558	\$233,490	\$267,398	\$301,293	\$335,188
Reserve Balance incl Contingency		30%	3%	4%	5%	6%	8%	9%	10%	12%	13%	14%
Ending Cash Balance	\$0	\$73,100	\$60,391	\$16,724	\$142,320	\$109,180	\$74,320	\$87,033	\$141,382	\$141,281	\$141,229	\$141,229

School Roll-Up:

The consolidated financials through 2020 for all Rocketship schools are presented below. Due to each school breaking even in its first year, the collective fund and cash balances of Rocketship's schools improve each year.

All Schools Roll-up Fiscal Year Ending June 30th	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	5	6	7	8	9	10	11	12	13	14
Note: This tab consolidates RS1, RS2, RS3 & all forecasted schools (generic)										
Total Schools in operation	3	5	8	13	21	32	51	78	108	121
Regions with Open Schools	1	1	1	2	2	2	2	2	2	2
Enrollment	1,352	2,228	3,584	5,832	9,436	14,504	23,032	35,380	49,768	57,996
Average Daily Attendance (Total)	1,298	2,139	3,441	5,599	9,059	13,924	22,111	33,965	47,777	55,676
Headcount	74	122	196	317	510	785	1,241	1,888	2,600	2,987

INCOME STATEMENT	RS1, RS2, RS3	ALL & Generic	ALL & Generic	ALL & Generic	ALL & Generic	ALL & Generic	ALL & Generic	ALL & Generic	ALL & Generic	ALL & Generic
REVENUES										
State Revenue	\$8,574,461	\$14,076,167	\$22,872,986	\$37,800,816	\$62,232,252	\$97,420,994	\$159,270,995	\$249,343,864	\$357,508,386	\$424,603,341
Federal Revenue	1,544,861	2,686,856	\$4,440,048	\$7,321,802	\$11,649,339	\$18,418,208	\$29,257,240	\$42,923,071	\$52,521,610	\$54,374,688
Local Revenues	\$209,523	\$358,884	\$585,860	\$972,267	\$1,604,613	\$2,523,653	\$4,089,877	\$6,413,640	\$9,260,187	\$11,176,307
Grants	\$635,000	\$750,000	\$1,000,000	\$1,250,000	\$2,000,000	\$2,250,000	\$0	\$0	\$0	\$0
TOTAL SCHOOL UNIT REVENUE	\$10,963,845	\$17,871,907	\$28,898,894	\$47,344,885	\$77,486,204	\$120,612,855	\$192,618,111	\$298,680,576	\$419,290,183	\$490,154,337
EXPENSES										
Salaries & Wages	\$3,874,120	\$6,491,893	\$10,636,218	\$17,588,250	\$28,749,616	\$45,263,781	\$72,860,908	\$112,658,496	\$157,552,569	\$185,664,085
Benefits	\$920,049	\$1,524,218	\$2,483,989	\$4,104,152	\$6,712,753	\$10,564,733	\$17,022,290	\$26,354,100	\$36,924,138	\$43,494,926
Books, Supplies, Equipment & Food	\$1,218,477	\$2,105,849	\$3,409,487	\$5,680,441	\$9,337,173	\$14,312,240	\$23,536,247	\$36,255,263	\$49,690,982	\$52,754,558
Operating Expenses:										
RSED School Services Fee:	\$3,499,074	\$5,763,326	\$9,284,275	\$15,206,467	\$24,919,007	\$37,944,696	\$58,183,700	\$91,266,692	\$131,180,672	\$157,103,341
National Fees	\$1,192,194	\$1,899,560	\$3,060,365	\$5,004,118	\$8,141,677	\$11,938,718	\$16,449,334	\$26,132,239	\$38,707,784	\$49,682,500
Regional Fee	\$377,409	\$631,364	\$1,006,913	\$1,657,050	\$2,710,614	\$4,220,980	\$6,892,558	\$10,638,665	\$14,774,976	\$16,451,311
Facilities Charge to LLC	\$1,929,471	\$3,232,403	\$5,216,997	\$8,545,300	\$14,066,717	\$21,784,998	\$34,841,809	\$54,495,787	\$77,697,912	\$90,969,530
Consultants & Other Operating Expenses	\$850,321	\$1,418,128	\$2,323,228	\$3,844,839	\$6,324,265	\$9,921,683	\$16,027,857	\$25,020,187	\$35,556,136	\$41,957,952
Other Outgo	\$223,167	\$266,879	\$435,452	\$669,407	\$1,099,030	\$1,713,161	\$2,726,013	\$4,252,386	\$6,064,469	\$7,202,525
TOTAL SCHOOL UNIT EXPENSES	\$10,585,208	\$17,570,293	\$28,572,648	\$47,093,557	\$77,141,844	\$119,720,293	\$190,357,015	\$295,807,123	\$416,968,967	\$488,177,387
BUDGET SURPLUS/(DEFICIT)	\$378,637	\$301,614	\$326,246	\$251,328	\$344,360	\$892,562	\$2,261,096	\$2,873,452	\$2,321,216	\$1,976,950
Ending Fund Balance	\$1,427,987	\$1,729,601	\$2,055,847	\$2,307,175	\$2,651,535	\$3,544,096	\$5,805,192	\$8,678,645	\$10,999,861	\$12,976,811
Ending Cash Balance	\$2,722,633	\$2,430,038	\$2,094,877	\$2,055,716	\$1,847,487	\$2,113,653	\$3,234,389	\$5,148,586	\$7,967,090	\$11,006,318

Regional Financials

Summary:

Each regional office requires \$2.3MM in fundraising to support its operating expenses until it reaches sustainability in year 5 with 8 schools in operation.

Revenues:

Regional offices charge fees to schools in order to cover operating costs. These fees vary between 3%-5% based on the year of school operation as reflected in the table below. Regional fees amount to approximately \$100K per school at full enrollment.

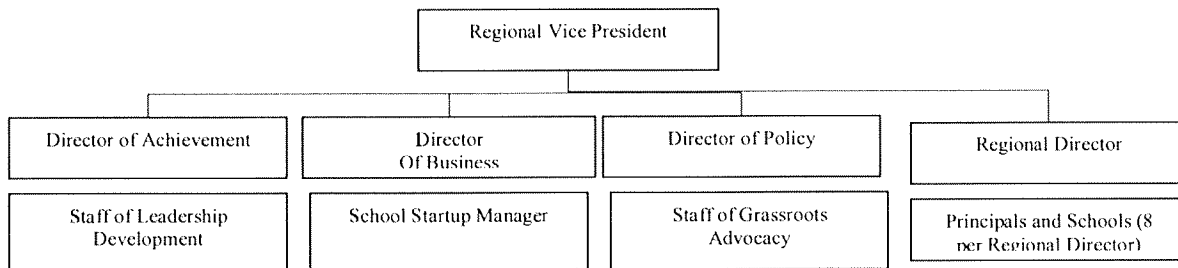
Regional Fees

Yr -1	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4+
5%	3%	4%	4%	4%	3%

Expenses:

Staffing:

Staffing costs (salaries and benefits) comprise over 80% of each regional office’s cost structure. The regional organizational chart is represented below.



Materials and Supplies:

Computer equipment, furniture and office supplies are estimated at approximately \$5K per staff member and represent less than 2% of expenses.

Consultants and Other Operating Expenses:

Other operating expenses comprise approximately 20% of the regional offices cost structure. These expenses are devoted primarily to parent advocacy and empowerment, facilities expenses, staff recruiting and professional development.

Regional Financials (including Schools)

Including school-level financial performance, new regions break-even in year 5 of operation with 8 open schools

Regional Office Financials:

Year	-1	0	1	2	3	4	5	6	7	8
Schools in Operation	0	0	1	1	2	4	8	13	21	34
Headcount	0	3	4	4	4	7	7	11	18	28
Enrollment	0	0	392	464	892	1,748	3,496	5,816	9,456	15,308
Revenues	\$0	\$6,000	\$121,111	\$130,429	\$261,916	\$487,521	\$988,747	\$1,602,181	\$2,570,865	\$4,113,125
Expenses										
Salaries	\$0	\$300,000	\$440,000	\$440,000	\$440,000	\$620,000	\$620,000	\$960,000	\$1,540,000	\$2,320,000
Benefits	\$0	\$66,000	\$96,800	\$96,800	\$96,800	\$136,400	\$136,400	\$211,200	\$338,800	\$510,400
Materials and Supplies	\$0	\$15,000	\$12,500	\$10,000	\$10,000	\$25,000	\$17,500	\$37,500	\$62,500	\$95,000
Other Operating Expenses	\$0	\$83,000	\$91,500	\$91,500	\$96,500	\$117,000	\$137,000	\$272,125	\$400,125	\$595,750
Total Expenses	\$0	\$464,000	\$640,800	\$638,300	\$643,300	\$898,400	\$910,900	\$1,480,825	\$2,341,425	\$3,521,150
Net Income	\$0	(\$458,000)	(\$519,689)	(\$507,871)	(\$381,384)	(\$410,879)	\$77,847	\$121,356	\$229,440	\$591,975
Fundraising Needed										(\$2,277,824)

Generic Region Financials:

Year	0	1	2	3	4	5	6	7	8
Schools in Operation	0	1	1	2	4	8	13	21	34
School Financials									
Revenues	\$200,000	\$3,210,793	\$3,529,188	\$7,072,116	\$14,021,000	\$27,425,464	\$44,819,187	\$72,629,543	\$117,584,363
Expenses	\$178,872	\$3,165,314	\$3,503,195	\$6,985,873	\$13,822,815	\$27,114,694	\$44,375,868	\$71,913,662	\$116,399,932
Net Income	\$21,128	\$45,479	\$25,993	\$86,243	\$198,185	\$310,771	\$443,318	\$715,881	\$1,184,430
Ending Fund Balance	\$21,128	\$66,607	\$92,600	\$178,843	\$377,028	\$687,798	\$1,131,117	\$1,846,998	\$3,031,428
Ending Cash Balance	\$50,072	\$56,306	\$62,977	\$167,851	\$329,066	\$531,196	\$790,903	\$1,351,130	\$2,143,746
Regional Office Financials									
Revenues	\$6,000	\$121,111	\$130,429	\$261,916	\$487,521	\$988,747	\$1,602,181	\$2,570,865	\$4,113,125
Expenses	\$464,000	\$640,800	\$638,300	\$643,300	\$898,400	\$910,900	\$1,480,825	\$2,341,425	\$3,521,150
Net Income	(\$458,000)	(\$519,689)	(\$507,871)	(\$381,384)	(\$410,879)	\$77,847	\$121,356	\$229,440	\$591,975
Ending Cash Balance	(\$458,000)	(\$377,689)	(\$1,485,561)	(\$1,866,945)	(\$2,277,824)	(\$2,199,976)	(\$2,078,620)	(\$1,849,180)	(\$1,257,206)
Consolidated Financials									
Revenues	\$206,000	\$3,331,904	\$3,659,616	\$7,334,032	\$14,508,521	\$28,414,212	\$46,421,368	\$75,200,407	\$121,697,487
Expenses	\$642,872	\$3,806,114	\$4,141,495	\$7,629,173	\$14,721,215	\$28,025,594	\$45,856,693	\$74,255,087	\$119,921,082
Net Income	(\$436,872)	(\$474,211)	(\$481,878)	(\$295,141)	(\$212,694)	\$388,618	\$564,675	\$945,321	\$1,776,405
Ending Fund Balance	(\$436,872)	(\$911,082)	(\$1,392,961)	(\$1,688,102)	(\$1,900,796)	(\$1,512,178)	(\$947,503)	(\$2,182)	\$1,774,223
Cash Balance	(\$407,928)	(\$921,383)	(\$1,422,583)	(\$1,699,094)	(\$1,948,758)	(\$1,668,780)	(\$1,287,717)	(\$498,050)	\$886,540

National Office Financials:**Summary:**

Rocketship's National Office (RSED) reaches sustainability on school management fees in 2013 at eight schools. However, in order to expedite our expansion to a second region by 2014, Rocketship needs to raise \$10MM, of which \$9MM will be to offset expenses incurred by the national office. RSED will be sustainable upon raising the \$10MM.

National Office Financials Before Fundraising

	2011	2012	2013	2014	2015
Summary Statistics					
Schools in Operation	3	5	8	13	21
Enrollment	1352	2228	3584	5832	9436
Regions with Open Schools	1	1	1	2	2
Summary Financials					
REVENUES					
National Fees	\$1,192,194	\$1,899,560	\$3,060,365	\$5,004,118	\$8,141,677
Bay Area Fees	\$377,408	\$631,364	\$1,000,733	\$1,529,788	\$2,570,818
Fundraising and Other	\$437,746	\$455,256	\$467,943	\$0	\$0
Total Revenues	\$2,007,349	\$2,986,179	\$4,529,042	\$6,533,905	\$10,712,495
Total Expenses	\$4,438,833	\$5,861,702	\$6,711,850	\$7,963,530	\$10,108,745
Net Income	(\$2,431,484)	(\$2,875,523)	(\$2,182,808)	(\$1,429,625)	\$603,750
Cumulative Fundraising Required	(\$8,919,440)				

Revenues:**Management Fees:**

As mentioned in the section on school expenses, regional and national fees will amount to 15% of revenues, excluding food service sales and reimbursements. These fees range from \$275K to \$480K per school on an annual basis.

Philanthropy:

The \$5MM that Rocketship has already raised includes \$2MM in fundraising for the national office to grow the capacity it needs to support its schools. Provided that Rocketship does not expand beyond San Jose, this \$2MM will cover RSED's operating deficit through sustainability.

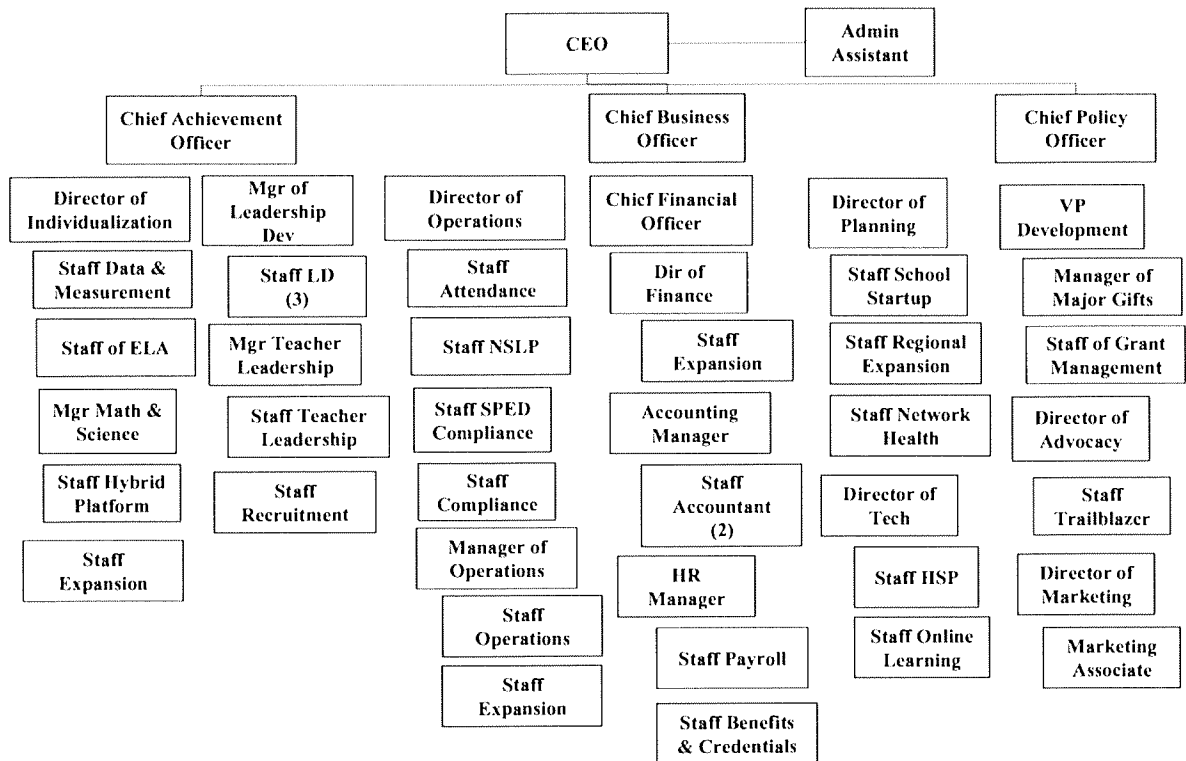
In order to expand to a second region by 2014, Rocketship will need \$9MM for national office expenses in addition to approximately \$1 MM to cover the regional office's startup expenses in Rocketship's second region.

Expenses:**Staffing**

Staffing represents over 50% of RSED's cost structure as is broken out between functional departments: CEO, Achievement, Policy, Business, and Bay Area Regional Staff.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Schools in Operation	3	5	8	13	21	32	51	78	108	121
Enrollment	1,352	2,228	3,584	5,832	9,436	14,504	23,032	35,380	49,768	57,996
Regions with Open Schools	1	1	1	2	2	2	2	2	2	2
Headcount										
CEO	2	2	2	2	2	3	3	3	3	3
Achievement	7	9	10	13	14	22	22	22	22	22
Policy	0	3	5	7	8	9	12	12	13	13
Business	12	16	17	20	25	40	51	53	65	66
Bay Area Staff	2	3	7	11	18	28	42	66	70	69
Total	23	33	41	53	67	102	130	156	173	173

The organizational chart for the National Office through 2014 – 2015 is listed below.



Other Expenses:

Other expenses represent approximately 50% of RSED expenses and are broken by department and strategic initiatives.

CEO

CEO expenses revolve around staff satisfaction, board management, senior leadership development and recruitment, board retreats, travel and conferences. CEO expenses are approximately \$70K through 2015 and represent \$10/student in the out years of the model.

Achievement:

Achievement expenses are based around strategic initiatives surrounding Leadership Development, Teacher PD, Teacher Recruitment and Individualization & Curriculum

Development. Economies of scale result in efficiencies over time reflected in Achievement expenses decreasing from \$160/student in 2012 to \$80/student in 2018. For out years, the model assumes that Achievement expenses will constitute 2% of school revenues.

Business:

Business represents Operations, Finance, Planning and Technology. Business expenses initially represent 10% of school level revenues but reduce over time to 4% as systems are developed to increase productivity and generate economies of scale.

Policy:

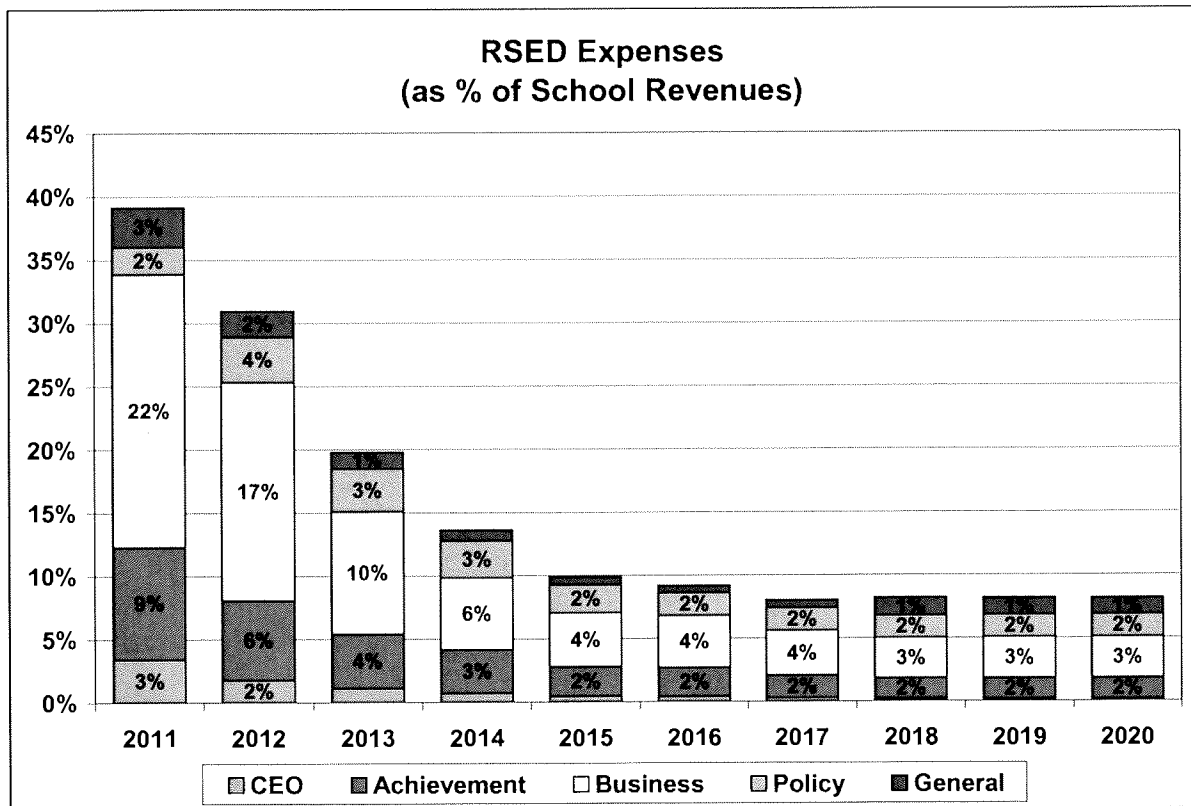
The Policy Department represents Marketing, Advocacy and Development. Policy accounts for approximately 2% of school revenues in the out years of the model.

General:

General includes all aspects of operations that are not directly related to one department. General expenses represent approximately 1% of school revenues.

Expenses by Department:

The chart below reflects expenses by department as a percentage of school revenues. By 2020, Rocketship has reduced its expenditures to just over 8% of school revenues which will allow it not only to fund growth to new regions but also to lower the fees that it charges schools.



National Office Financials including Fundraising:

RSED National Office	3	4	5	6	7	8	9	10	11	12
Fiscal Year Ending June 30th	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020

RSED NATIONAL OFFICE INCOME STATEMENT AND STATISTICS DETAIL

Summary Statistics	3	4	5	6	7	8	9	10	11	12
Schools in Operation	3	5	8	13	21	32	51	78	108	121
Enrollment	1,352	2,228	3,584	5,832	9,436	14,504	23,032	35,380	49,768	57,996
Regions with Open Schools	1	1	1	2	2	2	2	2	2	2

Summary Financials

REVENUES	3	4	5	6	7	8	9	10	11	12
National Fees	\$1,192,194	\$1,899,560	\$3,060,365	\$5,004,118	\$8,141,677	\$11,938,718	\$16,449,334	\$26,132,239	\$38,707,784	\$49,682,500
Regional/Bay Area Fees	\$377,408	\$631,364	\$1,000,733	\$1,529,788	\$2,570,818	\$3,934,639	\$6,343,512	\$9,502,868	\$12,897,703	\$13,407,469
Fundraising and Other	\$2,937,746	\$3,480,256	\$3,192,943	\$2,000,000	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$4,507,349	\$6,011,179	\$7,254,042	\$8,533,905	\$10,712,495	\$15,873,357	\$22,792,846	\$35,635,107	\$51,605,487	\$63,089,970

Expenses										
Salaries	\$1,907,400	\$2,861,100	\$3,618,719	\$4,665,283	\$6,017,240	\$9,155,700	\$11,624,699	\$14,341,111	\$15,966,437	\$16,285,765
Benefits	\$419,628	\$629,442	\$796,118	\$1,026,362	\$1,323,793	\$2,014,254	\$2,557,434	\$3,155,044	\$3,512,616	\$3,582,868
Other Expenses	\$2,111,805	\$2,371,160	\$2,297,012	\$2,271,885	\$2,767,712	\$3,613,108	\$6,778,736	\$15,843,761	\$24,397,810	\$29,817,506
Total Expenses	\$4,438,833	\$5,861,702	\$6,711,850	\$7,963,530	\$10,108,745	\$14,783,062	\$20,960,869	\$33,339,916	\$43,876,863	\$49,686,140

Net Income	\$68,516	\$149,477	\$542,192	\$570,375	\$603,750	\$1,090,295	\$1,831,977	\$2,295,191	\$7,728,624	\$13,403,830
Ending Fund Balance	\$564,013	\$713,490	\$1,255,682	\$1,826,057	\$2,429,808	\$3,520,103	\$5,352,079	\$7,647,270	\$15,375,895	\$28,779,724
Ending Working Cash Balance	\$1,165,491	\$1,011,083	\$419,252	\$1,143,911	\$2,023,503	\$2,427,138	\$3,341,719	\$3,174,922	\$4,957,025	\$11,435,136

Rocketship Summary Financials (SMM)

Summary Financials										
Fiscal Year Ending June 30th	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
All School Units										
Revenues										
Public Revenue	\$10.3	\$17.1	\$27.9	\$46.1	\$75.5	\$118.4	\$192.6	\$298.7	\$419.3	\$490.2
Fundraising	\$0.6	\$0.8	\$1.0	\$1.3	\$2.0	\$2.3	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenue	\$11.0	\$17.9	\$28.9	\$47.3	\$77.5	\$120.6	\$192.6	\$298.7	\$419.3	\$490.2
Expenses										
National and Regional Fees	\$1.6	\$2.5	\$4.1	\$6.7	\$10.9	\$16.2	\$23.3	\$36.8	\$53.5	\$66.1
Facilities Fees	\$1.9	\$3.2	\$5.2	\$8.5	\$14.1	\$21.8	\$34.8	\$54.5	\$77.7	\$91.0
All other operating expenses	\$6.9	\$11.5	\$18.9	\$31.2	\$51.1	\$80.1	\$129.4	\$200.3	\$279.7	\$323.9
Other Outgo (interest)	\$0.2	\$0.3	\$0.4	\$0.7	\$1.1	\$1.7	\$2.7	\$4.3	\$6.1	\$7.2
Total Expenses	\$10.6	\$17.6	\$28.6	\$47.1	\$77.1	\$119.7	\$190.4	\$295.8	\$417.0	\$488.2
Surplus/(Deficit)	\$0.4	\$0.3	\$0.3	\$0.3	\$0.3	\$0.9	\$2.3	\$2.9	\$2.3	\$2.0
Ending Fund Balance	\$1.4	\$1.7	\$2.1	\$2.3	\$2.7	\$3.5	\$5.8	\$8.7	\$11.0	\$13.0
Ending Cash Balance	\$2.7	\$2.4	\$2.1	\$2.1	\$1.8	\$2.1	\$3.2	\$5.1	\$8.0	\$11.0
RSED (National & Bay Area)										
National and Bay Area										
National Revenues	\$1.2	\$1.9	\$3.1	\$5.0	\$8.1	\$11.9	\$16.4	\$26.1	\$38.7	\$49.7
Bay Area Revenues	\$0.4	\$0.6	\$1.0	\$1.5	\$2.6	\$3.9	\$6.3	\$9.5	\$12.9	\$13.4
Fundraising and Other	\$2.9	\$3.5	\$3.2	\$2.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenues	\$4.5	\$6.0	\$7.3	\$8.5	\$10.7	\$15.9	\$22.8	\$35.6	\$51.6	\$63.1
Expenses	\$4.4	\$5.9	\$6.7	\$8.0	\$10.1	\$14.8	\$21.0	\$33.3	\$43.9	\$49.7
Surplus/(Deficit)	\$0.1	\$0.1	\$0.5	\$0.6	\$0.6	\$1.1	\$1.8	\$2.3	\$7.7	\$13.4
Ending Fund Balance	\$0.6	\$0.7	\$1.3	\$1.8	\$2.4	\$3.5	\$5.4	\$7.6	\$15.4	\$28.8
Ending Cash Balance	\$1.5	\$1.5	\$1.0	\$1.8	\$2.9	\$3.7	\$5.1	\$6.0	\$8.6	\$15.6
Other Regions (Excluding Bay Area)										
Revenues	\$0.0	(\$0.0)	\$0.0	\$0.1	\$0.1	\$0.3	\$0.5	\$1.1	\$1.9	\$3.0
Expenses	\$0.0	\$0.0	\$0.5	\$0.7	\$0.7	\$0.7	\$1.0	\$1.0	\$1.7	\$2.8
Surplus/(Deficit)	\$0.0	(\$0.0)	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.4)	(\$0.5)	\$0.1	\$0.1	\$0.2
Ending Fund Balance	\$0.0	\$0.0	(\$0.5)	(\$1.0)	(\$1.6)	(\$2.0)	(\$2.4)	(\$2.4)	(\$2.2)	(\$2.0)
Ending Cash Balance	\$0.0	\$0.0	(\$0.4)	(\$1.0)	(\$1.5)	(\$2.0)	(\$2.4)	(\$2.4)	(\$2.2)	(\$2.0)
Balance Sheet										
Assets										
Cash	\$3.9	\$3.4	\$2.1	\$2.2	\$2.3	\$2.6	\$4.2	\$6.0	\$10.7	\$20.5
Restricted Cash	\$0.4	\$0.5	\$0.6	\$0.7	\$0.8	\$1.2	\$1.7	\$2.8	\$3.7	\$4.1
Facilities Deposit	\$0.7	\$1.3	\$2.3	\$3.9	\$6.1	\$9.9	\$15.0	\$20.6	\$22.6	\$23.4
Accounts Receivable	\$1.7	\$2.9	\$4.7	\$7.5	\$12.1	\$18.9	\$30.0	\$46.6	\$65.5	\$76.8
Intercompany Loan	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.6	\$1.0	\$2.4	\$7.0	\$12.5
Equipment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Assets	\$6.9	\$8.4	\$9.8	\$14.5	\$21.7	\$33.1	\$51.9	\$78.4	\$109.5	\$137.3
Liabilities and Fund Balance										
Accounts Payable	\$0.7	\$1.2	\$1.8	\$2.8	\$4.4	\$6.8	\$10.6	\$16.5	\$23.1	\$27.0
Liabilities - Loans	\$3.9	\$4.5	\$4.9	\$8.3	\$13.4	\$20.7	\$31.6	\$45.5	\$55.2	\$58.0
Intercompany Loans	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.6	\$1.0	\$2.4	\$7.0	\$12.5
Fund Balance	\$2.0	\$2.4	\$2.8	\$3.1	\$3.5	\$5.1	\$8.7	\$14.0	\$24.2	\$39.8
Total Liabilities and Fund Balance	\$6.9	\$8.4	\$9.8	\$14.5	\$21.7	\$33.1	\$51.9	\$78.4	\$109.5	\$137.3

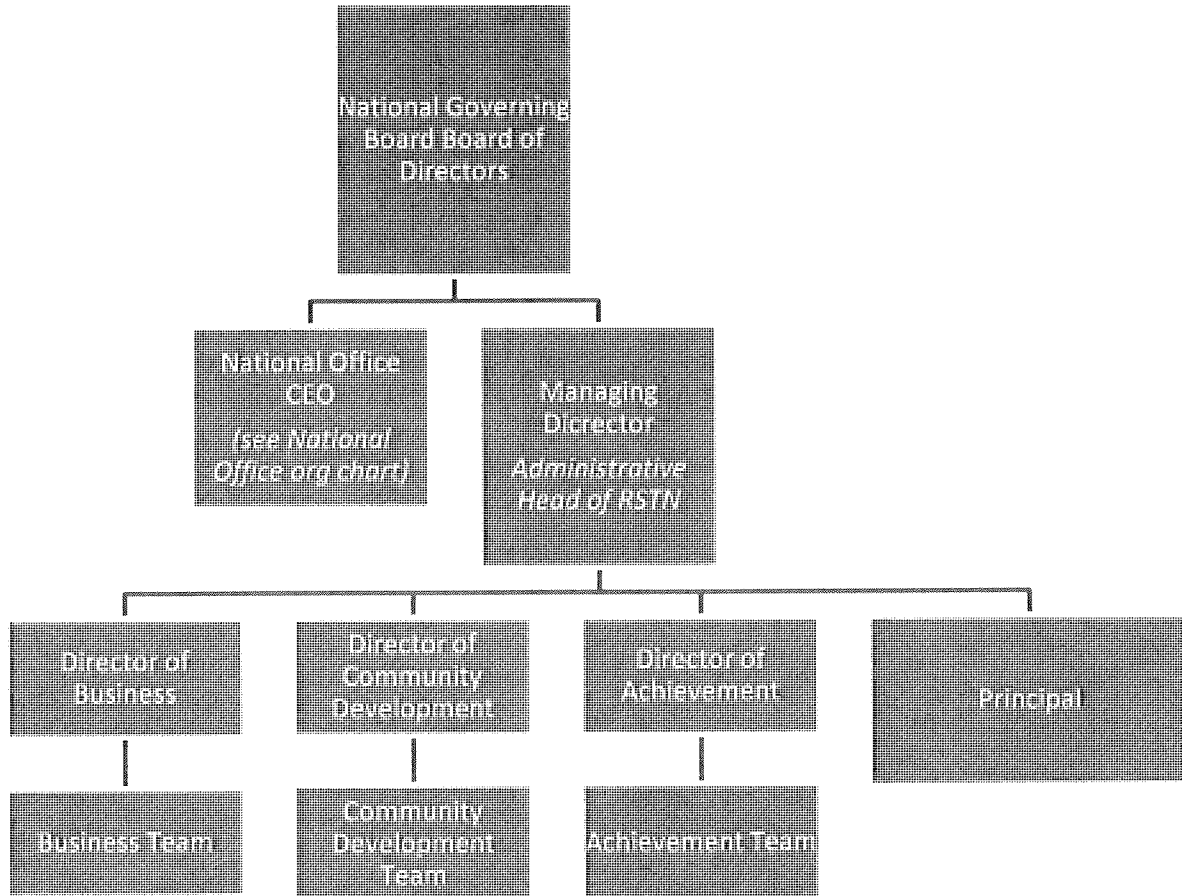
Attachment 2

Organization Charts

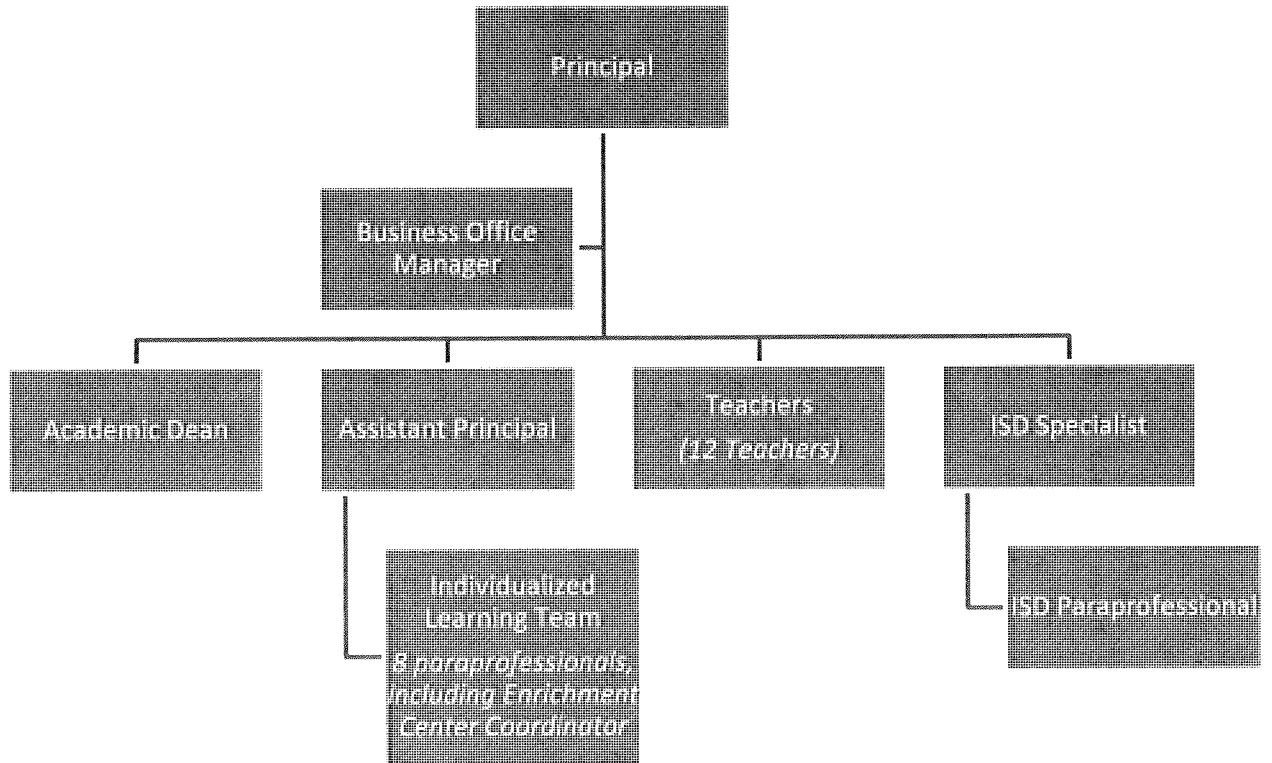
RSTN

Note: Rocketship Education does not anticipate bringing on additional roles in the coming years. The National Office charts are identical in year 1, 3, and 5. Similarly, because each Rocketship school will open fully enrolled, there will not be changes in the organizational charts for either individual schools or the regional support office on a year to year basis. Please see below a National Office, Regional Support Office, and School-level organizational charts.

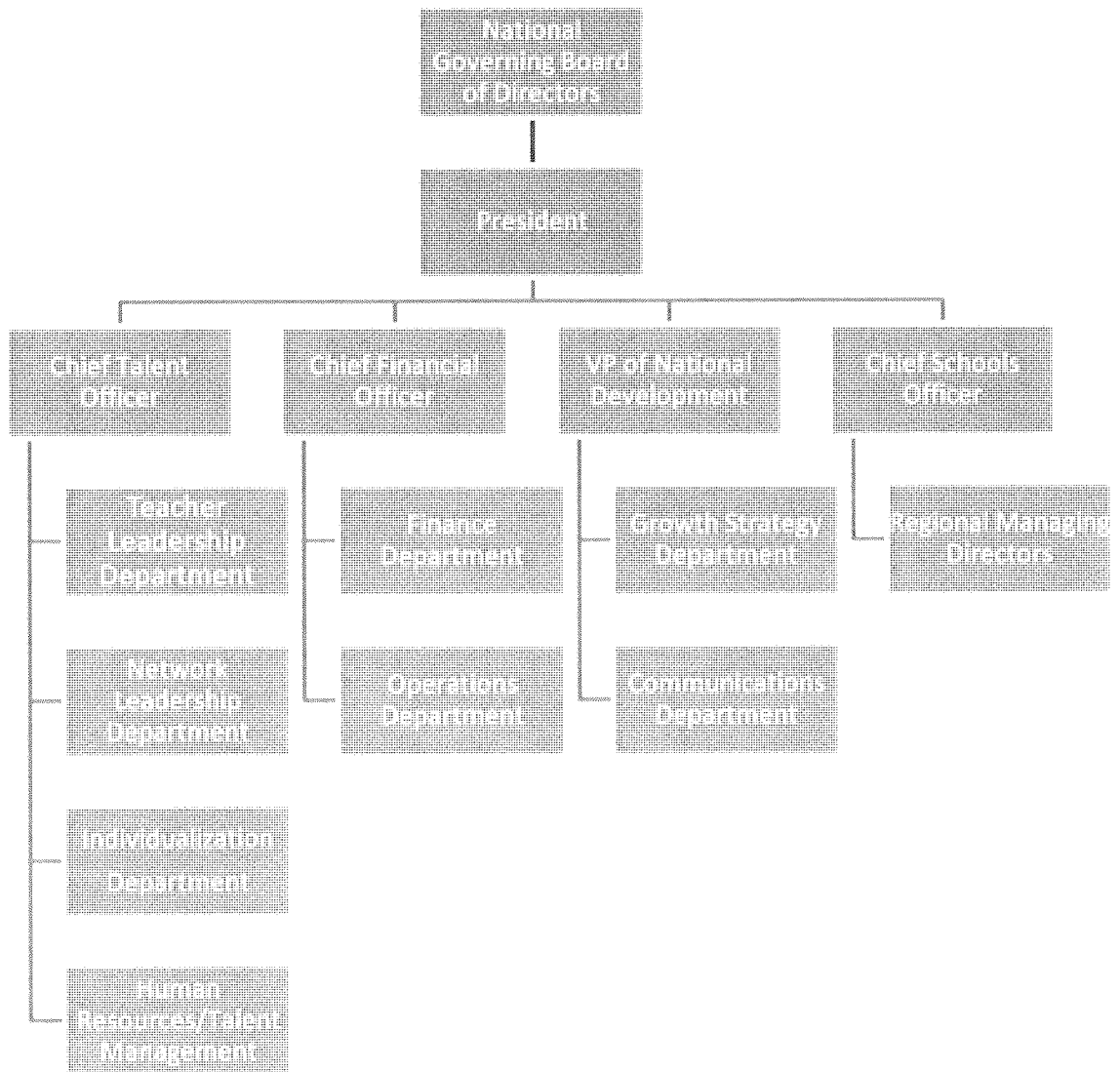
Rocketship Regional Organizational Chart



Rocketship School-Level Organizational Chart



Rocketship National Office Organizational Chart



Attachment 3

Education Service Provider Documentation

RSTN

As stated above in the "School Management Contracts" section, this section is not applicable as Rocketship Education (the applicant) will be both the charter holder and the management organization. Since there will be only a single legal entity, there will be no contract for services between the charter holder and management organization.

Attachment 4

Detailed Budget Forms

RSTN

Summary Financials - Nashville RSO

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Enrollment	-	-	600	1,200	1,800	3,000	4,800
Total Revenue							
State	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-
Development	\$1,500,000	\$450,000	\$225,000	\$225,000	\$100,000	-	-
Regional Fees	-	-	\$799,459	\$1,598,918	\$2,398,378	\$3,997,296	\$6,395,674
Total Revenues	\$1,500,000	\$450,000	\$1,024,459	\$1,823,918	\$2,498,378	\$3,997,296	\$6,395,674
Total Expenses							
Compensation	-	\$468,000	\$696,280	\$799,919	\$823,916	\$1,580,214	\$1,748,185
Other Operating Expenses	-	\$119,880	\$125,820	\$154,320	\$184,320	\$271,140	\$361,110
Facilities Cost	-	-	-	-	-	-	-
National Fees	-	-	\$532,973	\$1,065,946	\$1,598,918	\$2,664,864	\$4,263,782
Total Expenses	-	\$587,880	\$1,355,073	\$2,020,184	\$2,607,155	\$4,516,218	\$6,373,078
Net Income	\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
Cash Flow							
Operating Cash Flow	\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
Total Cash Flow	\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596

Health Metrics - Nashville RSO							
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Health Metrics							
Net Income	\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
Total Reserves	\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541	\$230,137
EOP Cash	\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541	\$230,137

Health Metrics

Staffing Level Assumptions - Nashville RSO								
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Detailed Staffing Model								
	Base Salary							
Regional VP	\$140,000	-	-	-	-	-	-	-
Regional Director	\$120,000	-	-	-	-	-	-	-
Director of Community Dev	\$100,000	-	-	-	-	-	-	-
Manager of Community Dev	\$80,000	1	-	-	-	-	-	-
Staff - Grassroots	\$60,000	-	-	-	-	-	-	-
Division of Business								
Director of Business	\$100,000	-	-	-	-	-	-	-
Regional Business Manager	\$80,000	1	-	-	-	-	-	-
Staff - School Startup	\$60,000	-	-	-	-	-	-	-
Director of Achievement	\$100,000	-	-	-	-	-	-	-
Mgr Leadership Dev	\$80,000	1	-	-	-	-	-	-
Staff	\$60,000	-	-	-	-	-	-	-
Staff Assumptions								
Speech Therapist	\$60,000	-	-	-	-	-	-	-
School Psychologist	\$60,000	-	-	-	-	-	-	-
Occupational Therapist	\$60,000	-	-	-	-	-	-	-
Total Employees		4	6	6	6	6	6	6
New Employees		4	2	1	2	3	5	8

Note: Schools

Staffing Level Assumptions - Nashville RSO

Expenses & Other							
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Compensation							
Bonus	-	-	-	-	-	-	-
Benefits	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Materials & Supplies							
Computers	\$750	\$750	\$750	\$750	\$750	\$750	\$750
Copier	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Phone/Internet	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Cell Phones	\$720	\$720	\$720	\$720	\$720	\$720	\$720
Office Supplies	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Other Operating							
Rent	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Travel & Meals & Entertainment	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Professional Development	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Consultants	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
SPED Consultants	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Advocacy	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Teacher Recruitment	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Student Recruitment	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Audit	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Other	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Fees							
National Fees	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
<i>Note: National Fees Per Pupil</i>							
Balance Sheet							
Accounts Receivable - Fundraising	-	-	-	-	-	-	-
Accounts Payable - Other	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Working Capital LOC as % of AR	-	-	-	-	-	-	-

Expenses & Other

Income Statement							
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues							
State							
Federal	\$1,500,000	\$450,000	\$225,000	\$225,000	\$100,000	-	-
Development			\$799,459	\$1,598,918	\$2,398,378	\$3,997,296	\$6,395,674
Other							
Total Revenues	\$1,500,000	\$450,000	\$1,024,459	\$1,823,918	\$2,498,378	\$3,997,296	\$6,395,674
Expenses							
Compensation							
Salaries	\$360,000	\$535,600	\$615,322	\$633,782	\$1,215,550	\$1,344,758	
Bonus							
Benefits	\$108,000	\$160,680	\$184,597	\$190,134	\$364,665	\$403,427	
Total Compensation	\$468,000	\$696,280	\$799,919	\$823,916	\$1,580,214	\$1,748,185	
Materials & Supplies							
Computers	\$3,000	\$1,500				\$4,500	\$750
Copier	\$5,000	\$5,000	\$5,000	\$5,000		\$5,000	\$5,000
Phone/Internet	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Cell Phones	\$2,880	\$4,320	\$4,320	\$4,320	\$8,640	\$8,640	\$9,360
Office Supplies	\$2,000	\$3,000	\$3,000	\$3,000	\$3,000	\$6,000	\$6,500
Total Materials & Supplies	\$15,880	\$16,820	\$15,320	\$15,320	\$27,140	\$24,610	
Other Operating							
Rent	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Travel & Meals & Entertainment	\$40,000	\$15,000	\$15,000	\$15,000	\$30,000	\$32,500	\$32,500
Professional Development	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Consultants	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
SPED Consultants		\$10,000	\$20,000	\$30,000	\$50,000	\$80,000	\$80,000
Advocacy	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Teacher Recruitment		\$10,000	\$20,000	\$30,000	\$50,000	\$80,000	\$80,000
Student Recruitment		\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Audit	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Other	\$104,000	\$109,000	\$139,000	\$169,000	\$244,000	\$336,500	
Total Other Operating	\$204,000	\$204,000	\$204,000	\$204,000	\$204,000	\$204,000	\$204,000
National Management Fee							
			\$532,973	\$1,065,946	\$1,598,918	\$2,664,864	\$4,263,782
Depreciation							
Interest Expense							
Total Expenses	\$587,880	\$1,355,073	\$2,020,184	\$2,607,155	\$4,516,218	\$6,373,078	\$6,373,078
Net Income	\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596

Balance Sheet							
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Assets							
Cash	\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541	\$230,137
Facility Deposit	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
PP&E	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
Total Assets	\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541	\$230,137
Liabilities							
Accounts Payable	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-
Total Liabilities							
Equity	\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541	\$230,137
<i>Check</i>	-	-	-	-	-	-	-

Note: Working Capital

Balance Sheet

Cash Flow							
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Free Cash Flow							
Net Income	\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
Plus: D & A	-	-	-	-	-	-	-
Less: Change in Working Capital	-	-	-	-	-	-	-
Less: CapEx	-	-	-	-	-	-	-
Less: Security Deposits	-	-	-	-	-	-	-
Total Free Cash Flow	\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
Financing Flow							
Revolver	-	-	-	-	-	-	-
CDE Revolving Loan Fund	-	-	-	-	-	-	-
CSGF Loan	-	-	-	-	-	-	-
Financing Flow	-	-	-	-	-	-	-
Cash Reconciliation							
BOP Cash	-	\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541
Cash Flow	\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
EOP Cash	\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541	\$230,137

Cash Flow

Attachment 5

Budget Narrative

RSTN

- A. In addition to the budget documents submitted as part of Attachment 4, please see Attachment 9 and 10 of the Charter School Application for the school budget and narrative. Below is the Regional Support Office budget narrative to support Attachment 4.

School Model Narrative

Please see Attachment 10 of the Charter School Application for the school model narrative for our first school in Nashville. All other schools projected for the region will be operated under ASD charters and therefore their financials, except their management fees, are not included in this overview.

Regional Model Narrative

Rocketship Nashville schools will be supported by a separate Regional Support Office. Below are details on the revenue and cost assumptions.

Revenue

The primary source of recurring revenue for the RSO will be the fee charged to the schools in the region. RSO expenses break even and become sustainable with this management fee when there are 8 schools in the region. The fee represents 15% of per pupil revenue, and equates to roughly \$1,332 per student.

Each RSO will fundraise money from local organizations to support start-up expenses prior to achieving sustainability with 8 schools in the region. Nashville has already raised \$2,500,000 from the Charter School Growth Fund that will be distributed over the first years of operation.

Summary Financials - Nashville RSO							
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Enrollment	-	-	600	1,200	1,800	3,000	4,800
Total Revenue							
State	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-
Development	\$1,500,000	\$450,000	\$225,000	\$225,000	\$100,000	-	-
Regional Fees	-	-	\$799,459	\$1,598,918	\$2,398,378	\$3,997,296	\$6,395,674
Total Revenues	\$1,500,000	\$450,000	\$1,024,459	\$1,823,918	\$2,498,378	\$3,997,296	\$6,395,674

Expenses

A summary table of expenses is shown below.

Summary Financials - Nashville RSO							
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Expenses							
Compensation	-	\$468,000	\$696,280	\$799,919	\$823,916	\$1,580,214	\$1,748,185
Other Operating Expenses	-	\$119,880	\$125,820	\$154,320	\$184,320	\$271,140	\$361,110
Facilities Cost	-	-	-	-	-	-	-
National Fees	-	-	\$532,973	\$1,065,946	\$1,598,918	\$2,664,864	\$4,263,782
Total Expenses	-	\$587,880	\$1,355,073	\$2,020,184	\$2,607,155	\$4,516,218	\$6,373,078

Compensation

The primary expense for an RSO is compensation. Compensation includes salary, bonus and benefits. Beginning the year prior to the first school opening, the team consists of four team members: Managers of Community Development, Business, and Achievement, all of whom will report to the Regional Director. This team expands to include support staff and a Regional VP when the regional network grows to five schools in Year 4. The RSO also houses centralized Special Education Staff, like the director and other shared services.

Staffing Level Assumptions - Nashville RSO								
Detailed Staffing Model	Base Salary	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Regional VP	\$100,000							
Regional Director	\$150,000		1	1	1	1	1	1
Director of Community Dev	\$100,000							
Manager of Community Dev	\$60,000		1	1			1	1
Staff - Grassroots	\$60,000							
Director of Business	\$100,000				1	1	1	1
Regional Business Manager	\$80,000		1	1			1	1
Staff - School Startup	\$60,000							
Director of Achievement	\$100,000				1	1	1	1
Mgr Leadership Dev	\$80,000		1	1			1	1
Staff	\$60,000							
SPEID Director	\$80,000			1	1	1	1	1
Speech Therapist				1	1	1	1	2
School Psychologist							1	1
Occupational Therapist							1	1

Benefits are assumed to conservatively be 30% of salary for all standard benefits, and are included in compensation. We have also built in a 3% increase in cost each year.

Other Operating Expenses

Expenses in this category include materials and supplies (computers, telephones, office supplies) and other operating expenses (rent, travel, consultants, recruitment expenses).

		Other Expenses - Nashville						
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Materials & Supplies								
Computers	<i>New HC</i>		\$3,000	\$1,500	-	-	\$4,500	\$750
Copier	<i>Region</i>		\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Phone/Internet	<i>Region</i>		\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Cell Phones	<i>HC</i>		\$2,880	\$4,320	\$4,320	\$4,320	\$8,640	\$9,360
Office Supplies	<i>HC</i>		\$2,000	\$3,000	\$3,000	\$3,000	\$6,000	\$6,500
Total Materials & Supplies		-	\$15,880	\$16,820	\$15,320	\$15,320	\$27,140	\$24,610
Other Operating								
Rent	<i>Region</i>		\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Travel & Meals & Entertainment	<i>HC</i>		\$40,000	\$15,000	\$15,000	\$15,000	\$30,000	\$32,500
Professional Development	<i>Region</i>		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Consultants	<i>Region</i>		\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
SPED Consultants	<i>Schools</i>		-	\$10,000	\$20,000	\$30,000	\$50,000	\$80,000
Advocacy	<i>Region</i>		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Teacher Recruitment	<i>Schools</i>		-	\$10,000	\$20,000	\$30,000	\$50,000	\$80,000
Student Recruitment	<i>Schools</i>		-	\$10,000	\$20,000	\$30,000	\$50,000	\$80,000
Audit	<i>Region</i>		\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Other			\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Total Other Operating		-	\$104,000	\$109,000	\$139,000	\$169,000	\$244,000	\$336,500
National Management Fee		-	-	\$532,973	\$1,065,946	\$1,598,918	\$2,664,864	\$4,263,782

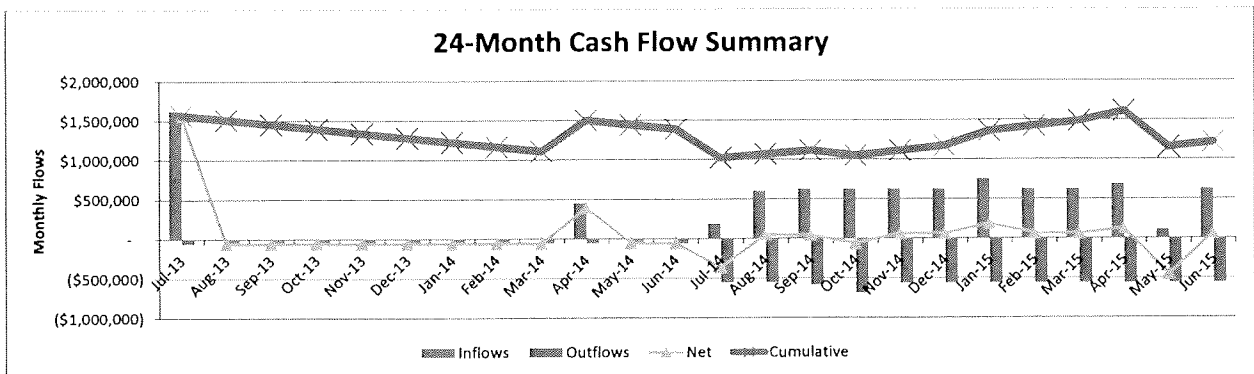
National Fee: Rocketship Education National charges a fee of 10% of school revenues from the RSO. This fee, as detailed in the charter application, supports the academic and operational support provided to the region by the national office. In addition, The RSO will pay the Rocketship Education National Office licensing fees for use and continued research and development of intellectual property such as Individualized Learning time design and infrastructure, the Network Leadership Program, and teacher development curriculum.

Summary Financials

Nashville RSO is projected to maintain a positive fund balance of at least \$200,000 each year, breaking even from of Regional Fees alone by the time the region reaches 8 schools.

		Summary Financials - Nashville RSO						
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Enrollment		-	-	600	1,200	1,800	3,000	4,800
Total Revenue								
State		-	-	-	-	-	-	-
Federal		-	-	-	-	-	-	-
Development		\$1,500,000	\$450,000	\$225,000	\$225,000	\$100,000	-	-
Regional Fees		-	-	\$799,459	\$1,598,918	\$2,398,378	\$3,997,296	\$6,395,674
Total Revenues		\$1,500,000	\$450,000	\$1,024,459	\$1,823,918	\$2,498,378	\$3,997,296	\$6,395,674
Total Expenses								
Compensation		-	\$468,000	\$696,280	\$799,919	\$823,916	\$1,580,214	\$1,748,185
Other Operating Expenses		-	\$119,880	\$125,820	\$154,320	\$184,320	\$271,140	\$361,110
Facilities Cost		-	-	-	-	-	-	-
National Fees		-	-	\$532,973	\$1,065,946	\$1,598,918	\$2,664,864	\$4,263,782
Total Expenses		-	\$587,880	\$1,355,073	\$2,020,184	\$2,607,155	\$4,516,218	\$6,373,078
Net Income		\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
		Health Metrics - Nashville RSO						
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Health Metrics								
Net Income		\$1,500,000	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
Total Reserves		\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541	\$230,137
EOP Cash		\$1,500,000	\$1,362,120	\$1,031,506	\$835,241	\$726,464	\$207,541	\$230,137

- B. Assumptions are detailed below, with the detailed cash flow following.
- a. Cash flow covers July 2013 through June 2015 (24 months)
 - b. Cash flow includes Rocketship Tennessee School 1 from the Charter School Application and the Regional Support Office.
 - c. Detailed cash flow projections can be found below.
 - i. Revenue
 1. BEP projected in 10 equal payments each month except July and May.
 2. Federal funds (Title I, IDEA) assumed to be paid 50% in January, 25% in April, 25% the following year.
 3. Federal meal programs assumed to be paid in equal payments for 10 months starting in September.
 4. Transportation payments assumed to follow BEP schedule.
 5. Startup grants for the school arrive first month of each year.
 6. Student fees assumed to be paid upon school opening in September.
 7. Private Fundraising reflects \$2,500,000 fundraising commitment that will be distributed as \$1,500,000 in April 2013 and \$450,000 in April 2014.
 8. Regional Fees paid in the same timeline as the school expenses, evenly every month beginning in July.
 - ii. Expenses
 1. Personnel assumed to be paid out evenly every month beginning in July
 2. General Operating Expenses assumed to be paid out evenly every month beginning in July
 3. Transportation assumed be to paid in ten equal payments starting in September
 4. Facilities paid monthly beginning in September for 9 equal payments. This has been our historic relationship with our facilities providers, and it provides cash flow relief before the revenues start to come in.
 5. Technology and Equipment assumed to be paid in four monthly payments from July through October.



- C. As shown, the school and the region have sufficient financial health for the first 24 months, never having below \$1,000,000 in cash. This is due in large part to the already secured \$2,500,000 of fundraising from Charter School Growth Fund. In addition, as enumerated throughout the budget narratives, these financial projections are conservative on both the revenue and cost assumptions (96% ADM, flat revenue with growing costs, 1% contingency).
- D. As detailed above, the school has built in several operating contingencies and still achieves a minimum of \$1,000,00 in cash balance. We believe this is appropriately conservative, though will work to establish supplemental means of cash flow support such as lines of credit as we open the school.

BUDGET SUMMARY

PLANNING	YR 1	YR 2	YR 3	YR 4	YR 5
	2013-14	2014-15	2015-16	2016-17	2017-18

Number of Students	0	600	1200	1800	3000	4800
Number of Employees	4	6	6	6	12	13
REVENUE						
Basic Education Program	\$0	\$0	\$0	\$0	\$0	\$0
Title I	\$0	\$0	\$0	\$0	\$0	\$0
Federal Breakfast Program	\$0	\$0	\$0	\$0	\$0	\$0
Federal Lunch Program	\$0	\$0	\$0	\$0	\$0	\$0
IDEA	\$0	\$0	\$0	\$0	\$0	\$0
Transportation	\$0	\$0	\$0	\$0	\$0	\$0
Charter start-up funds	\$0	\$0	\$0	\$0	\$0	\$0
Walton start-up funds	\$0	\$0	\$0	\$0	\$0	\$0
Student fees	\$0	\$0	\$0	\$0	\$0	\$0
Investment income	\$0	\$0	\$0	\$0	\$0	\$0
School level fundraising	\$0	\$0	\$0	\$0	\$0	\$0
Private fundraising (foundations, corporate)	\$450,000	\$225,000	\$225,000	\$100,000	\$0	\$0
Private fundraising (individuals)	\$0	\$0	\$0	\$0	\$0	\$0
Regional Fees	\$0	\$799,459	\$1,598,918	\$2,398,378	\$3,997,296	\$6,395,674
TOTAL REVENUE	\$450,000	\$1,024,459	\$1,823,918	\$2,498,378	\$3,997,296	\$6,395,674

EXPENSES

Personnel	\$468,000	\$696,280	\$799,919	\$823,916	\$1,580,214	\$1,748,185
General Operating Expenses	\$119,880	\$658,793	\$1,220,266	\$1,783,238	\$2,936,004	\$4,624,892
Transportation	\$0	\$0	\$0	\$0	\$0	\$0
Athletic Program	\$0	\$0	\$0	\$0	\$0	\$0
Facilities	\$0	\$0	\$0	\$0	\$0	\$0
Technology & Equipment	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$587,880	\$1,355,073	\$2,020,184	\$2,607,155	\$4,516,218	\$6,373,078

SURPLUS/(DEFICIT)	(\$137,880)	(\$330,614)	(\$196,266)	(\$108,777)	(\$518,922)	\$22,596
<i>Per student</i>	<i>-\$551</i>	<i>-\$164</i>	<i>-\$60</i>	<i>-\$173</i>	<i>-\$173</i>	<i>\$5</i>

Ending Fund Balance

\$1,362,120 \$1,031,506 \$835,241 \$726,464 \$207,541 \$230,137

Rocketship Tennessee School Budget Summary

BUDGET SUMMARY

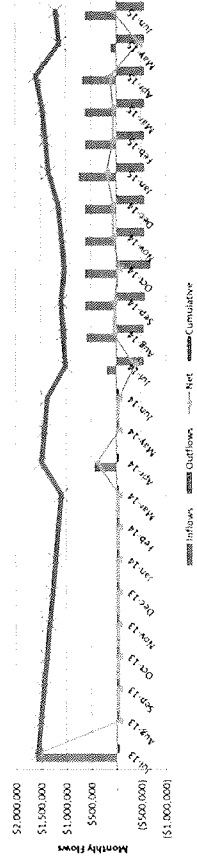
	PLANNING					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Number of Students	0	600	600	600	600	600
Number of Employees	1	26	26	26	26	26
REVENUE						
Basic Education Program	\$0	\$4,894,848	\$4,894,848	\$4,894,848	\$4,894,848	\$4,894,848
Title I	\$0	\$146,880	\$146,880	\$146,880	\$146,880	\$146,880
Federal Breakfast Program	\$0	\$163,037	\$163,037	\$163,037	\$163,037	\$163,037
Federal Lunch Program	\$0	\$253,613	\$253,613	\$253,613	\$253,613	\$253,613
IDEA	\$0	\$103,680	\$103,680	\$103,680	\$103,680	\$103,680
Transportation	\$0	\$288,000	\$288,000	\$288,000	\$288,000	\$288,000
Charter start-up funds	\$0	\$0	\$0	\$0	\$0	\$0
Walton start-up funds	\$125,000	\$125,000	\$0	\$0	\$0	\$0
Student fees	\$0	\$18,000	\$23,000	\$23,000	\$23,000	\$23,000
Investment Income	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$125,000	\$5,993,058	\$5,873,058	\$5,873,058	\$5,873,058	\$5,873,058
EXPENSES						
Personnel	\$41,633	\$1,993,124	\$2,052,684	\$2,114,032	\$2,177,219	\$2,242,303
General Operating Expenses	\$66,875	\$1,794,308	\$1,649,308	\$1,649,308	\$1,649,308	\$1,649,308
Transportation	\$0	\$297,750	\$297,750	\$297,750	\$297,750	\$297,750
Athletic Program	\$0	\$0	\$0	\$0	\$0	\$0
Facilities	\$0	\$953,333	\$1,140,000	\$1,140,000	\$1,140,000	\$1,140,000
Technology & Equipment	\$1,300	\$505,000	\$174,000	\$354,500	\$199,500	\$354,000
TOTAL EXPENSES	\$109,808	\$5,543,515	\$5,313,742	\$5,555,589	\$5,463,777	\$5,683,360
SURPLUS/(DEFICIT)	\$15,192	\$449,543	\$559,316	\$317,468	\$409,281	\$189,697
<i>Per student</i>		\$749	\$932	\$529	\$682	\$316
Ending Fund Balance	\$15,192	\$464,735	\$1,024,051	\$1,341,519	\$1,750,800	\$1,940,498

24 Month Cash Flow

	Acquisit		Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
	FY 13-14	FY 14-15												
REVENUE														
Basic Education Program		\$4,894,848												
Title I		\$146,880												
Federal Breakfast Program		\$163,037												
Federal Lunch Program		\$253,613												
IDEA		\$103,680												
Transportation		\$288,000												
Charter start-up funds														
Walton start-up funds	\$125,000													
Student fees		\$18,000												
Investment income														
School level fundraising														
Private fundraising (foundations, corporate)	\$450,000	\$225,000										\$450,000		
Private fundraising (individuals)														
Regional Fees		\$799,459												
TOTAL REVENUE	\$575,000	\$7,017,517	\$1,625,000	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469
EXPENSES														
Personnel	\$509,633	\$2,689,804	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469	\$42,469
General Operating Expenses	\$186,755	\$2,493,100	\$15,563	\$15,563	\$15,563	\$15,563	\$15,563	\$15,563	\$15,563	\$15,563	\$15,563	\$15,563	\$15,563	\$15,563
Transportation		\$297,750												
Athletic Program														
Facilities		\$953,333												
Technology & Equipment	\$1,300	\$505,000	\$1,300											
TOTAL EXPENSES	\$697,688	\$6,898,588	\$59,332	\$58,032	\$58,032	\$58,032	\$58,032	\$58,032	\$58,032	\$58,032	\$58,032	\$58,032	\$58,032	\$58,032
SURPLUS/(DEFICIT)	(\$122,688)	\$118,929	\$1,565,668	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)
Cumulative		(\$3,735)	\$1,565,668	\$1,449,603	\$1,391,571	\$1,333,539	\$1,275,506	\$1,217,474	\$1,159,442	\$1,101,409	\$1,043,377	\$985,345	\$927,312	\$869,280

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
InfloWS	\$1,625,000	\$1,667,469	\$1,710,000	\$1,752,500	\$1,795,000	\$1,837,500	\$1,880,000	\$1,922,500	\$1,965,000	\$2,007,500	\$2,050,000	\$2,092,500
Outflows	(\$59,332)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)	(\$58,032)
Net	\$1,565,668	\$1,509,437	\$1,651,968	\$1,694,468	\$1,737,000	\$1,779,500	\$1,822,000	\$1,864,500	\$1,907,000	\$1,949,500	\$1,992,000	\$2,034,500
Cumulative	\$1,565,668	\$1,507,635	\$1,449,603	\$1,391,571	\$1,333,539	\$1,275,506	\$1,217,474	\$1,159,442	\$1,101,409	\$1,043,377	\$985,345	\$927,312

24-Month Cash Flow Summary



24 Month Cash Flow

	Accruals		2015											
	FY13-14	FY14-15	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
REVENUE														
Basic Education Program		\$4,894,848		\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485
Title I		\$146,880												
Federal Breakfast Program		\$163,037		\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304
Federal Lunch Program		\$253,613		\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361
IDEA		\$103,680												
Transportation		\$288,000		\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800
Charter start-up funds														
Walton start-up funds		\$125,000												
Student fees		\$18,000												
Investment Income														
School level fundraising														
Private fundraising (foundations, corporate)		\$450,000												
Private fundraising (individuals)														
Regional Fees		\$799,459												
TOTAL REVENUE	\$575,000	\$7,017,517	\$591,622	\$602,906	\$626,571	\$626,571	\$626,571	\$626,571	\$751,851	\$626,571	\$626,571	\$689,211	\$108,287	\$626,571
EXPENSES														
Personnel	\$609,633	\$1,689,404	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117
General Operating Expenses	\$186,755	\$2,653,100	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425
Transportation		\$297,750	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775
Athletic Program														
Facilities		\$923,333												
Technology & Equipment	\$1,300	\$505,000	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250
TOTAL EXPENSES	\$697,688	\$6,898,588	\$554,792	\$554,792	\$584,567	\$690,493	\$564,343	\$564,243	\$564,243	\$564,243	\$564,243	\$564,243	\$564,243	\$564,243
SURPLUS/(DEFICIT)	\$118,269	\$118,269	\$36,825	\$48,114	\$42,004	\$63,322	\$62,328	\$62,328	\$187,608	\$62,328	\$62,328	\$124,968	\$455,956	\$62,328
Cumulative	\$12,758	\$12,758	\$1,014,142	\$1,062,256	\$1,104,261	\$1,040,339	\$1,164,996	\$1,164,996	\$1,352,604	\$1,414,933	\$1,477,261	\$1,602,230	\$1,146,273	\$1,298,602

	Accruals		2016											
	FY13-14	FY14-15	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
REVENUE														
Basic Education Program		\$4,894,848		\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485	\$489,485
Title I		\$146,880												
Federal Breakfast Program		\$163,037		\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304	\$16,304
Federal Lunch Program		\$253,613		\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361	\$25,361
IDEA		\$103,680												
Transportation		\$288,000		\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800
Charter start-up funds														
Walton start-up funds		\$125,000												
Student fees		\$18,000												
Investment Income														
School level fundraising														
Private fundraising (foundations, corporate)		\$450,000												
Private fundraising (individuals)														
Regional Fees		\$799,459												
TOTAL REVENUE	\$575,000	\$7,017,517	\$591,622	\$602,906	\$626,571	\$626,571	\$626,571	\$626,571	\$751,851	\$626,571	\$626,571	\$689,211	\$108,287	\$626,571
EXPENSES														
Personnel	\$609,633	\$1,689,404	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117	\$224,117
General Operating Expenses	\$186,755	\$2,653,100	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425	\$204,425
Transportation		\$297,750	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775	\$29,775
Athletic Program														
Facilities		\$923,333												
Technology & Equipment	\$1,300	\$505,000	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250	\$126,250
TOTAL EXPENSES	\$697,688	\$6,898,588	\$554,792	\$554,792	\$584,567	\$690,493	\$564,343	\$564,243	\$564,243	\$564,243	\$564,243	\$564,243	\$564,243	\$564,243
SURPLUS/(DEFICIT)	\$118,269	\$118,269	\$36,825	\$48,114	\$42,004	\$63,322	\$62,328	\$62,328	\$187,608	\$62,328	\$62,328	\$124,968	\$455,956	\$62,328
Cumulative	\$12,758	\$12,758	\$1,014,142	\$1,062,256	\$1,104,261	\$1,040,339	\$1,164,996	\$1,164,996	\$1,352,604	\$1,414,933	\$1,477,261	\$1,602,230	\$1,146,273	\$1,298,602

Attachment 6

Portfolio Summary

RSTN

School Name	Year Opened	City	State	Grades Served	Total Enrollment	% African American	% Hispanic	% White	% Other Race/Ethnicity
Rocketship Mateo Sheedy	2007	San Jose	CA	K-5	585	3	89	3	5
Rocketship Si Se Puede	2009	San Jose	CA	K-5	654	1	88	1	11
Rocketship Los Suenos	2010	San Jose	CA	K-5	630	4	86	2	8
Rocketship Mosaic Elementary	2011	San Jose	CA	K-5	628	1	74	1	23
Rocketship Discovery Prep	2011	San Jose	CA	K-5	629	3	82	5	10
Rocketship Brilliant Minds	2012	San Jose	CA	K-2	179	3	82	0	15
Rocketship Alma Academy	2012	San Jose	CA	K-3	485	2	85	2	12

		School Contact Info			Contact Title	Contact Email
% TRPL	% SPED	% ELL	Contact Name	Contact Title	Contact Email	
85	2	68	Maricela Guerrero	Principal	mguerrero@rsed.org	
90	2	66	Andrew Elliott-Chandler	Principal	aelliottchandler@rsed.org	
87	5	70	Drew Sarratore	Principal	dsarratore@rsed.org	
85	3	73	Adam Nadeau	Principal	anadeau@rsed.org	
82	6	66	Joya Deutsch	Principal	jdeutsch@rsed.org	
83	3	73	Kit Tollerson	Principal	ktollerson@rsed.org	
76	2	69	Sharon Kim	Principal	skim@rsed.org	

Contact Phone	Authorizing Organization	Contact Name	Contact Title
(408) 286-3300	Santa Clara County Board of Education	Lucretia Peebles	Director
(408) 824-5180	Santa Clara County Board of Education	Lucretia Peebles	Director
(408) 684-4028	Santa Clara County Board of Education	Lucretia Peebles	Director
(408) 899-2607	Franklin McKinley School Board	John Porter	Superintendent
(408) 217-8951	Santa Clara County Board of Education	Lucretia Peebles	Director
(408) 990-6139	Santa Clara County Board of Education	Lucretia Peebles	Director
(408) 931-6838	Santa Clara County Board of Education	Lucretia Peebles	Director

Contact Email	Contact Phone
<u>Lucretia_Peebles@sccoe.org</u>	(408) 453-6500
<u>Lucretia_Peebles@sccoe.org</u>	(408) 453-6500
<u>Lucretia_Peebles@sccoe.org</u>	(408) 453-6500
<u>john.porter@fmsd.org</u>	(408) 283-6000
<u>Lucretia_Peebles@sccoe.org</u>	(408) 453-6500
<u>Lucretia_Peebles@sccoe.org</u>	(408) 453-6500
<u>Lucretia_Peebles@sccoe.org</u>	(408) 453-6500

Attachment 7

School Reports/Evaluations

RSTN

Not applicable as Rocketship currently does not operate any schools in Tennessee.

Attachment 8

School Financials

RSTN

Not applicable as Rocketship currently does not operate any schools in Tennessee.

Attachment 9

Operator Financials

RSTN

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**Consolidated Audited Financial Statements
for the Year Ended
June 30, 2012**

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

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**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rocketship Education and its Affiliates
San Jose, CA

We have audited the accompanying consolidated statement of financial position of Rocketship Education and its Affiliates (RSEA), a California non-profit public benefit corporation, as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of RSEA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from RSEA's 2011 financial statements, and in our report dated November 29, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements described above present fairly, in all material respects, the financial position of RSEA as of June 30, 2012, and the changes in its net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2012 on our consideration of RSEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

- 1 -

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Board of Directors
Rocketship Education and its Affiliates

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 49 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The accompanying supplementary schedules on pages 30-48 are presented for purposes of additional analysis and are also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 16, 2012

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2012

with comparative totals for June 30, 2011

	Rocketship Schools	Launchpad	Eliminations	2012 Total	2011 Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents (notes 1,2)	\$ 6,418,611	\$ 2,754,271	\$ -	\$ 9,172,882	\$ 9,369,115
Restricted cash (note 1)		1,927,649		1,927,649	909,959
Accounts receivable (note 3)	9,653,828	630,278	(2,356,725)	7,927,381	4,154,307
Grants receivable (note 4)	333,598			333,598	1,083,000
Prepaid expenses and deposits	261,631	157,884	(12,470)	407,045	145,658
Total current assets	<u>16,667,668</u>	<u>5,470,082</u>	<u>(2,369,195)</u>	<u>19,768,555</u>	<u>15,662,039</u>
LONG-TERM ASSETS:					
Grants receivable (note 4)	582,367			582,367	-
Security deposits	1,725,000		(1,725,000)	-	-
Deferred rent asset		601,008	(601,008)	-	-
Property, plant & equipment	113,957	44,884,973		44,998,930	33,809,829
Less: Accumulated depreciation	(71,893)	(2,330,216)		(2,402,109)	(1,339,161)
Total property, plant and equipment, net (note 5)	<u>42,064</u>	<u>42,554,757</u>	<u>-</u>	<u>42,596,821</u>	<u>32,470,668</u>
Total long-term assets	<u>2,349,431</u>	<u>43,155,765</u>	<u>(2,326,008)</u>	<u>43,179,188</u>	<u>32,470,668</u>
Total assets	<u>\$ 19,017,099</u>	<u>\$ 48,625,847</u>	<u>\$ (4,695,203)</u>	<u>\$ 62,947,743</u>	<u>\$ 48,132,707</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 552,023	\$ 2,961,520	\$ (364,516)	\$ 3,149,027	\$ 2,860,799
Accrued liabilities	1,362,393			1,362,393	977,248
Deferred revenues		12,470	(12,470)	-	62,500
Accrued interest	12,521	233,310	(20,929)	224,902	89,014
Lines of credit (note 12)	1,000,000			1,000,000	-
Current portion of loans payable (note 6)	1,210,000	2,836,712	(1,971,280)	2,075,432	256,660
Total current liabilities	<u>4,136,937</u>	<u>6,044,012</u>	<u>(2,369,195)</u>	<u>7,811,754</u>	<u>4,246,221</u>
LONG-TERM LIABILITIES:					
Security deposits		1,725,000	(1,725,000)	-	-
Accrued interest	203,554			203,554	190,407
Deferred rent liability	601,008		(601,008)	-	-
Convertible loans (note 6)	1,800,000			1,800,000	1,800,000
Loans payable (note 6)	600,000	40,599,336		41,199,336	32,683,939
Total long-term liabilities	<u>3,204,562</u>	<u>42,324,336</u>	<u>(2,326,008)</u>	<u>43,202,890</u>	<u>34,674,346</u>
NET ASSETS:					
Unrestricted	10,105,767	257,499		10,363,266	7,629,140
Temporarily restricted (note 7)	1,569,833			1,569,833	1,583,000
Total net assets	<u>11,675,600</u>	<u>257,499</u>	<u>-</u>	<u>11,933,099</u>	<u>9,212,140</u>
Total liabilities and net assets	<u>\$ 19,017,099</u>	<u>\$ 48,625,847</u>	<u>\$ (4,695,203)</u>	<u>\$ 62,947,743</u>	<u>\$ 48,132,707</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
with comparative totals for the Year Ended June 30, 2011

	Rocketship Schools	Launchpad	Eliminations	2012 Total	2011 Total
UNRESTRICTED NET ASSETS:					
Revenues					
Apportionment revenue	\$ 7,750,396	\$ -	\$ -	\$ 7,750,396	\$ 3,808,147
Categorical grant revenue	2,234,521			2,234,521	1,286,595
Property taxes	4,178,669			4,178,669	2,757,142
Other State revenue	3,612,096			3,612,096	2,158,917
Federal revenue	2,791,168			2,791,168	1,846,344
Other local revenue	213,005	3,161,065	(3,214,812)	159,258	1,284,251
Contributions	3,855,090	187,546	(194,233)	3,848,403	5,833,925
Amounts released from restriction	1,583,000			1,583,000	-
Total unrestricted revenues	<u>26,217,945</u>	<u>3,348,611</u>	<u>(3,409,045)</u>	<u>26,157,511</u>	<u>18,975,321</u>
Program Expenses					
Educational programs	16,278,559	-	(3,148,297)	13,130,262	7,620,063
Supporting Services					
Site supports	1,950,305	3,783,288	(59,823)	5,673,770	2,719,223
Program development and expansion	1,247,345		(100,000)	1,147,345	735,481
Administration and general	2,902,390	670,543	(100,925)	3,472,008	2,490,378
Total supporting services	<u>6,100,040</u>	<u>4,453,831</u>	<u>(260,748)</u>	<u>10,293,123</u>	<u>5,945,082</u>
Total expenses	<u>22,378,599</u>	<u>4,453,831</u>	<u>(3,409,045)</u>	<u>23,423,385</u>	<u>13,565,145</u>
Increase (decrease) in unrestricted net assets	<u>3,839,346</u>	<u>(1,105,220)</u>	<u>-</u>	<u>2,734,126</u>	<u>5,410,176</u>
TEMPORARILY RESTRICTED NET ASSETS:					
Amounts released from restriction	(1,583,000)			(1,583,000)	-
Contributions	1,569,833	-	-	1,569,833	1,583,000
Increase (decrease) in temporarily restricted net assets	<u>(13,167)</u>	<u>-</u>	<u>-</u>	<u>(13,167)</u>	<u>1,583,000</u>
Beginning net assets	<u>7,849,421</u>	<u>1,362,719</u>	<u>-</u>	<u>9,212,140</u>	<u>2,218,964</u>
Ending net assets	<u>\$ 11,675,600</u>	<u>\$ 257,499</u>	<u>\$ -</u>	<u>\$ 11,933,099</u>	<u>\$ 9,212,140</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012
with comparative totals for the Year Ended June 30, 2011**

	<u>Rocketship Schools</u>	<u>Launchpad</u>	<u>Eliminations</u>	<u>2012 Total</u>	<u>2011 Total</u>
CASH FLOWS from OPERATING ACTIVITIES:					
Change in Net Assets	\$ 3,826,179	\$ (1,105,220)	\$ -	\$ 2,720,959	\$ 6,993,176
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation and amortization	4,189	1,060,954		1,065,143	607,170
Debt forgiven through grant agreement	(539,232)			(539,232)	(650,000)
Donation of in-kind property	(6,687)			(6,687)	-
(Increase) or decrease in operating assets:					
Accounts receivable	(6,816,740)	276,352	1,637,130	(4,903,258)	(3,141,035)
Grants receivable	167,035			167,035	(1,083,000)
Prepaid expenses and other current assets	(1,089,404)	(84,453)	912,470	(261,387)	73,200
Deferred rent asset		(601,008)	601,008	-	-
Increase or (decrease) in operating liabilities:					
Accounts payable and accrued liabilities	1,990,829	(381,889)	334,150	1,943,090	1,339,028
Deferred revenues	(62,500)	12,470	(12,470)	(62,500)	62,500
Deferred rent liability	601,008		(601,008)	-	-
Net cash provided (used) by operating activities	<u>(1,925,323)</u>	<u>(822,794)</u>	<u>2,871,280</u>	<u>123,163</u>	<u>4,201,039</u>
CASH FLOWS from INVESTING ACTIVITIES:					
Payment on notes receivable	3,513,614		(3,513,614)	-	-
Purchases of property, plant and equipment	(27,433)	(11,106,248)		(11,133,681)	(14,287,712)
Net cash provided (used) by investing activities	<u>3,486,181</u>	<u>(11,106,248)</u>	<u>(3,513,614)</u>	<u>(11,133,681)</u>	<u>(14,287,712)</u>
CASH FLOWS from FINANCING ACTIVITIES:					
Change in restricted cash		(1,017,690)		(1,017,690)	(869,940)
Receipt of long-term security deposits		900,000	(900,000)	-	-
Change in lines of credit	1,000,000			1,000,000	-
Proceeds from debt	1,850,000	16,447,646	(1,971,280)	16,326,366	(236,428)
Repayment of debt	(3,660,000)	(5,348,005)	3,513,614	(5,494,391)	13,561,059
Net cash provided (used) by financing activities	<u>(810,000)</u>	<u>10,981,951</u>	<u>642,334</u>	<u>10,814,285</u>	<u>12,454,691</u>
Net increase (decrease) in cash and cash equivalents	750,858	(947,091)	-	(196,233)	2,368,018
Cash and cash equivalents at the beginning of the year	5,667,753	3,701,362	-	9,369,115	7,001,097
Cash and cash equivalents at the end of the year	<u>\$ 6,418,611</u>	<u>\$ 2,754,271</u>	<u>\$ -</u>	<u>\$ 9,172,882</u>	<u>\$ 9,369,115</u>
CASH PAID FOR INTEREST (Net)	<u>\$ 39,575</u>	<u>\$ 2,261,005</u>	<u>\$ -</u>	<u>\$ 2,300,580</u>	<u>\$ 1,145,472</u>
CAPITALIZED INTEREST	<u>\$ -</u>	<u>\$ 120,316</u>	<u>\$ -</u>	<u>\$ 120,316</u>	<u>\$ 152,186</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities – Rocketship Education and its Affiliates (RSEA) are organized to manage, operate, guide, direct, and promote a network of outstanding inner-city college preparatory elementary charter schools.

Principles of Consolidation – The accompanying financial statements include the accounts of Rocketship Education (RSED) and its schools. All significant intercompany accounts and transactions within RSED and its schools have been eliminated in the consolidating financial statements. Additionally, the accompanying financial statements include the accounts of Launchpad and its wholly-owned LLCs. All significant intercompany accounts and transactions within Launchpad have been eliminated in the consolidating financial statements. Finally, all significant intercompany accounts and transactions between RSED and Launchpad have been eliminated in consolidation.

Listed below are the affiliated organizations included in these financial statements:

Rocketship Education (RSED)

Rocketship Education (RSED) is a California nonprofit public benefit corporation that was incorporated in May 2006 and is organized to manage, operate, guide, direct, and promote a network of outstanding inner-city college preparatory elementary charter schools. It operates Rocketship National (RSN) and Rocketship Mateo Sheedy (RMS) as divisions of its organization. RSED is governed by a Board of Directors consisting of eleven members.

Rocketship National (RSN)

Rocketship National (RSN) operates as a division of RSED and provides management services and back office support to the RSED charter school network.

Rocketship Mateo Sheedy Elementary (RMS)

RSED's first school, Rocketship Mateo Sheedy Elementary (RMS), charter number 0850, which opened August 2007, operates as a division of RSED. RMS is funded principally through State of California public education monies received through the California Department of Education and the Santa Clara County Office of Education (SCCOE), the Sponsoring Agency. The SCCOE Board of Education (SCCBE) approved the Charter for RMS for a 3-year term through the 2009/10 school year. The charter was renewed for 5 years and will expire on June 30, 2015. The charter may be revoked by SCCBE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Rocketship Si Se Puede Academy (RSSP)

RSED opened its second school, Rocketship Si Se Puede (RSSP), charter number 1061, in August 2009. RSSP was incorporated as a nonprofit public benefit organization in April 2008 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of Education and SCCOE, the Sponsoring Agency. SCCBE approved the Charter for RSSP for a 5-year term through the 2016/17 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Rocketship Los Suenos Academy (RLS)

RSED opened its third school, Rocketship Los Suenos (RLS), charter number 1127, in August 2010. RLS was incorporated as a nonprofit public benefit organization in February 2009 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of Education and SCCOE, the Sponsoring Agency. SCCBE approved the Charter for RLS for a 5-year term through the 2014/15 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Rocketship Mosaic Elementary School (RME)

RSED opened its fourth school, Rocketship Mosaic Elementary (RME), charter number 1192, in August 2011. RME was incorporated as a nonprofit public benefit organization in June 2009 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of Education and SCCOE. Franklin McKinley School District (FMSD) approved the Charter for RLS for a 5-year term through the 2015/16 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Rocketship Discovery Prep (RDP)

RSED opened its fifth school, Rocketship Discovery Prep (RDP), charter number 1193, in August 2011. RDP was incorporated as a nonprofit public benefit organization in February 2010 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of Education and SCCOE, the Sponsoring Agency. SCCBE approved the Charter for RLS for a 5-year term through the 2015/16 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Rocketship Six Elementary (RS6)

RSED incorporated its sixth school, Rocketship Six Elementary School (RS6), as a nonprofit public benefit organization in February 2010. The SCCBE approved a separate charter for RS6 on November 16, 2011, charter number 1393. The school is scheduled to start operations in August 2012 and will be named Rocketship Academy for Brilliant Minds.

Rocketship Seven Elementary (RS7)

RSED incorporated its seventh school, Rocketship Seven Elementary School (RS7), as a nonprofit public benefit organization in May 2011. The SCCBE approved a separate charter for RS7 on November 16, 2011, charter number 1394. The school is scheduled to start operations in August 2012 and will be named Rocketship Alma Academy.

Rocketship Eight Elementary (RS8)

RSED incorporated its eighth school, Rocketship Eight Elementary School (RS8), as a nonprofit public benefit organization in May 2011. The SCCBE approved a separate charter for RS8 on November 16, 2011, charter number 1404. The school is scheduled to start operations in August 2013.

Rocketship Nine Elementary (RS9)

The FMSD approved a separate charter for RS9 on January 2012, charter number 1389. The school is scheduled to start operations in August 2013.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Rocketship Ten Elementary (RS10)

The SCCBE approved a separate charter for RS10, which will be followed by assignment of a new charter number by the State Board of Education.

***Rocketship Education Wisconsin Inc.
& Rocketship One Milwaukee Elementary (RS1M)***

RSED incorporated Rocketship Education Wisconsin Inc., as a nonprofit public benefit organization in October 2012 to hold its first Elementary School in Wisconsin, Rocketship One Milwaukee Elementary (RS1M). The City of Milwaukee Common Council approved a separate charter for RS1M in November 2011.

Launchpad

Launchpad was incorporated as a 509(a)(3) not-for-profit public benefit corporation in November 2009. Launchpad was incorporated with the intention of becoming the leading provider of affordable facilities for the burgeoning charter school industry.

Launchpad Development Milwaukee One LLC (MLLC1)

Launchpad Development Milwaukee One LLC (MLLC1) was organized in March 2012 to be the master tenant of the Canyon-Agassi Lease for the facility used in the school operations of Milwaukee Rocketship Elementary School One.

Launchpad Development One LLC(LLC1)

Launchpad Development One LLC was organized to construct, hold, and manage the facility used in the school operations of RMS.

Launchpad Development Two LLC (LLC2)

Launchpad Development Two LLC was organized to construct, hold, and manage the facility used in the school operations of RSSP.

Launchpad Development Three, LLC (LLC3)

Launchpad Development Three LLC was organized to construct, hold, and manage the facility used in the school operations of RLS.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Launchpad Development Four LLC (LLC4)

Launchpad Development Four LLC (LLC4) was organized to construct, hold, and manage the facility used in the school operations of RME.

Launchpad Development Five LLC (LLC5)

Launchpad Development Five LLC (LLC5) was organized to construct, hold, and manage the facility used in the school operations of RDP.

Launchpad Development Six LLC (LLC6)

Launchpad Development Six LLC (LLC6) was organized to construct, hold, and manage the facility used in the school operations of RS6, however, the site originally acquired to develop RS6 was not utilized and the school was opened elsewhere. At present the Launchpad is considering divestiture.

Launchpad Development Seven LLC (LLC7)

Launchpad Development Seven LLC (LLC7) was organized to construct, hold, and manage the facility used in the school operations of RS7, however, the site originally acquired for RS7 was not utilized.

Launchpad Development Eight LLC (LLC8)

Launchpad Development Eight LLC (LLC8) was organized in July 2011 to construct, hold, and manage the facility used in the school operations of RS7, scheduled to open in the 2012/13 school year.

Launchpad Development Nine LLC (LLC9)

Launchpad Development Nine LLC (LLC9) was organized in July 2011 to construct, hold, and manage the facility used in the school operations of RS8, scheduled to open in the 2013/14 school year.

Launchpad Development Ten LLC (LLC10)

Launchpad Development Ten LLC (LLC10) was organized in March 2012 to construct, hold, and manage the facility used in the school operations of RS9, scheduled to open in the 2013/14 school year.

**ROCKETSHIP EDUCATION
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Launchpad Development Eleven LLC (LLC11)

Launchpad Development Eleven LLC (LLC11) was organized in March 2012 to construct, hold, and manage the facility used in the school operations of RS6, scheduled to open the facility in the 2013/14 school year.

Launchpad Development Twelve LLC (LLC12)

Launchpad Development Twelve LLC (LLC12) was organized in March 2012 to construct, hold, and manage the facility used in the school operations of RS12, scheduled to open in the 2014/15 school year.

Launchpad Community Initiatives LLC (LCI)

Launchpad Communities Initiatives LLC (LCI) was organized in June 2011 to make qualified low income community investments or other activities which qualify under the New Markets Tax credit (NMTC) program of the U.S. Treasury Department's CDFI Fund.

Basis of Presentation – RSEA presents its financial statements as a California non-profit public benefit corporation in accordance with Financial Accounting Standards which govern generally accepted accounting principles for non-profit organizations.

Net Asset Classes – RSEA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of RSEA consist of the following:

- **Unrestricted:** All resources over which the governing board has discretionary control to use in carrying on the general operations of the organization.
- **Temporarily restricted:** These net assets are restricted by donors to be used for specific purposes.
- **Permanently restricted:** These net assets are permanently restricted by donors and cannot be used by RSEA. RSEA does not currently have any permanently restricted net assets.

**ROCKETSHIP EDUCATION
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Cash and Cash Equivalents – RSEA defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Restricted Cash – Restricted cash includes certain cash balances that are maintained according to debt reserve requirements.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Accordingly, actual results could differ from those estimates.

Basis of Accounting – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Functional Allocation of Expenses – The cost of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets ranging from three to thirty-five years. RSEA capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

**ROCKETSHIP EDUCATION
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Income Taxes – RSEA, with the exception of LLC5, is comprised of various non-profit entities exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes related to these entities. LLC5 is organized as a for-profit Limited Liability Corporation and provisions for income taxes have been recorded accordingly. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. RSEA files all appropriate tax returns in the U.S. federal jurisdiction, and the state of California.

RSEA files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Evaluation of Subsequent Events – The organization has evaluated subsequent events through November 16, 2012, the date these financial statements were available to be issued. Subsequent events requiring recognition or disclosure are discussed in Note 6 and 14.

Comparative Totals – The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with RSEA's financial statements for the year ended June 30, 2011, from which the summarized information was derived. Certain reclassifications have been made to the 2011 financial information to conform to the 2012 presentation.

NOTE 2 - CONCENTRATION OF CREDIT RISK:

RSEA maintains bank accounts with several institutions. Accounts at each of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. RSEA occasionally has the need to maintain a cash balance in excess of the FDIC limit.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 3 - ACCOUNTS RECEIVABLE:

Accounts receivable primarily consist of funds due from various governmental, non-profit corporations and private individuals. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded. As of June 30, 2012, all amounts are considered collectible within one year.

NOTE 4 - GRANTS RECEIVABLE:

Grants receivable consist of funds due from grantor agencies based upon RSN meeting various conditions or milestones. As of June 30, 2012 grant amounts connected with met milestones have been recorded as grants receivable and have been classified as temporarily restricted contributions due to implied time restriction. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT:

Property and equipment consisted of the following:

	<u>RSED Schools</u>	<u>Launchpad</u>	<u>RSEA Total</u>
Land	\$ -	\$ 8,889,946	\$ 8,889,946
Furniture and equipment	79,837	261,273	341,110
Loan Fee		639,650	639,650
Building	34,120	30,415,313	30,449,433
Construction in Progress		4,678,791	4,678,791
Less: Accumulated depreciation	<u>(71,893)</u>	<u>(2,330,216)</u>	<u>(2,402,109)</u>
Total	<u>\$ 42,064</u>	<u>\$42,554,757</u>	<u>\$ 42,596,821</u>

Depreciation and amortization expense was \$1,065,143 for the year ended June 30, 2012.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 6 - DEBT:

Convertible Debt

RSN – Charter School Growth Fund

In February 2009, RSN entered into a \$2.3 million Subordinate Loan Agreement with Charter School Growth Fund (CSGF) at an effective interest rate of 4.0 percent. Of this amount, \$2.0 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified educational, financial and growth outcomes.

In October 2010, RSN and CSGF amended and restated the original Subordinate Loan Agreement to reflect a total loan of \$3.4 million at an effective interest rate of 3.25 percent. As of June 30, 2012, RSN has borrowed \$2.65 million of the \$3.4 million total available. Of the amended amount, \$2.35 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified educational, financial and growth outcomes.

In the event that these annual benchmarks are not met, the balance of the unconverted \$2.35 million loan is to be repaid with all accrued and unpaid interest on June 30, 2018.

As of June 30, 2012, RSN had substantively met the school year benchmarks and converted \$1.45 million of principal into a grant. No amounts were converted based on June 30, 2012 results pending notification of debt forgiveness from CSGF.

Over the 2012/13 school year, \$1,300,000 of the remaining note payable is eligible to be forgiven and converted into a grant provided the RSN meet specified educational, financial and growth outcomes. The remaining \$300,000 of the loan plus accrued interest will be due on June 30, 2017.

RSN Convertible Loan – Walton Fund

In July 2009, RSN entered into a \$1.5 million Subordinate Loan Agreement with Charter School Growth Fund at an effective interest rate of 4.0 percent. Of this amount, \$1.5 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified growth outcomes. In the event that these annual benchmarks are not met, all remaining principal and accrued, unpaid interest are due on October 1, 2015.

As of June 30, 2012, certain schools had substantively met the school year benchmarks and converted \$500,000 of principal into a grant, resulting in \$500,000 remaining note payable.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 6 - DEBT: (continued)

Loans Payable

Charter School Growth Fund/RSN

In March 2012, RSN entered into a \$1 million Subordinated Loan Agreement with Charter School Growth Fund (CSGF) to finance the RS7-LLC8 project (the LLC8 Construction Loan). This loan had an effective interest rate of 4 percent and a maturity date of October 2013. Interest was to accrue from the effective date of the loan and quarterly interest payments were to begin in September 2012. As of June 30, 2012, \$1 million remained outstanding on the loan.

Rocketship's Schools - California Department of Education Revolving Loan Program

As of June 30, 2012, Rocketship's Schools has five unsecured revolving loans payable to the California Department of Education totaling \$510,000 with effective interest rates ranging from 0.38% to 3.43%. The repayment terms require annual principal payments that are deducted from apportionment revenue.

LLC1 - CDFI Facilities Construction Loan

As of June 30, 2012, LLC1 has two facilities construction loans payable with a Community Development Financial Institution (CDFI). Both of them were entered into during the 2007-2008 fiscal year and as of June 30, 2012 had principal balances of \$5,000,000 on the primary loan and \$641,405 on the subordinate loan with effective interest rates of 5.0 percent and 5.25 percent, respectively. The loan agreement with the CDFI allows RSED to borrow up to \$5,000,000 on the primary loan and \$700,000 on the subsidiary loan. Both loans are for seven years with the primary loan structured as interest-only over the term of the loan and the subsidiary loan structured as interest-only until October 1, 2008 at which point it amortizes over a 20 year period. RSED used the proceeds of these loans to construct permanent facilities for its San Jose campus for Rocketship Mateo Sheedy Elementary School. Both loans use the completed facilities as collateral. As of June 30, 2012, \$5,617,915 remains outstanding with CDFI.

This loan is subject to reporting requirements and covenants customary to this type of credit transaction. As required by the lender, RSED provided a Partial Guaranty of the debt obligation.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 6 - DEBT: (continued)

LLC2 - CDFI Facilities Construction Loan

As of June 30, 2012, LLC2 has a facilities construction loan payable with a CDFI totaling \$6.8 million. This loan is structured as interest-only for seven years with an effective interest rate of 5.5 percent. LLC2 used the proceeds of this loan to construct permanent facilities for the San Jose campus for Rocketship Si Se Puede Academy. The loan uses the completed facilities as collateral.

This loan is subject to reporting requirements and covenants customary to this type of credit transaction. As required by the lender, RSED provided a Partial Guaranty of the debt obligation.

LLC3 - Self Help New Markets V LLC Loan

As of June 30, 2010, LLC3 had entered into a facilities loan payable with Self Help New Markets V LLC (SHNM) totaling \$6.48 million. This loan has an effective interest rate of 6.41 percent. The loan will use the completed facilities as collateral.

Commencing on June 1, 2010 and thereafter on the first day of each month until and including September 1, 2010, LLC3 made payments of interest only. Commencing on October 1, 2010, and thereafter on the first day of each successive month, LLC3 has made and will make payments of principal and interest in monthly installments based upon an amortization schedule of 25 years, with a final payment of all unpaid principal and interest thereon due on April 19, 2017. As required by the Lender, RSED provided a Lease Guaranty to the Borrower in support of the financing with a projected expiration at the end of the 2012/13 school year. As required by the Lender, LLC3 provided a Pledge to the Lender for segregated Cash Collateral in the amount of \$1 million also with a projected expiration at the end of the 2012/13 school year. As of June 30, 2012, \$6,293,093 remains outstanding with SHNM.

This loan is subject to reporting requirements and financial covenants customary for this type of credit transaction.

LLC4 - RME Bonds Payable

In September 2011, Launchpad completed a bond financing in the amount of \$10.1 million (the Series 2011 Bonds), proceeds from which were used to refinance the outstanding principal and accrued interest balance under a Senior Note and Junior Note and to fund certain project expenses remaining for the RME construction project. Interest is paid semi-annually at a coupon rate of 8.5% to 9.0%.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 6 - DEBT: (continued)

LLC4 - RME Bonds Payable (continued)

The Series 2011 Bonds are divided into a \$9.6 million Series 2011A Bond and a \$0.5 million Series 2011B Bond. The Series 2011A Bond matures December 2041 and the Series 2011B Bond matures December 2018. Both Series 2011A and Series 2011B are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment fund established in December 2018 and December 2013 respectively.

LLC5 - Low Income Investment Fund Sub-CDE VIII LLC Loan

LLC5 borrowed debt capital for the RS5 project from LIIF Sub-CDE VIII, LLC (the LIIF LLC), a Delaware limited liability company formed by the Low Income Investment Fund (LIIF), a CDFI under the leverage loan model of the New Markets Tax Credits program under Section 45D of the Internal Revenue Code of 1986. US Bank CDC purchased the tax credits from the LIIF LLC, the proceeds of which were used in part to fund a "qualified equity investment". LIIF and other participating institutions provided the leverage debt capital. The LIIF LLC made three (3) loans to LLC5, the Borrower, in the aggregate original principal amount of \$9,975,000 (the "*QLICI Loan*"), which *QLICI Loan* is expected to constitute a "qualified low-income community investment" ("*QLICF*") being made to a "qualified active low-income community business" ("*QALICB*") under the NMTC Program, and which includes subordinated debt provided by Launchpad of \$560K. The debt is required to have a term of not less than seven (7) years and was made on an interest-only payment basis. As required by the Lender, RSN provided a partial Lease Guaranty to the Borrower in support of the financing. This loan is subject to reporting requirements and covenants customary to this type of credit transaction.

LLC6 and LLC8 - LISC Recoverable Loan

In August 2011, Launchpad Development Company received a recoverable grant from Local Initiatives Support Corporation (LISC) in a draw-to amount of up to \$500,000 available between September 1, 2011 and September 1, 2013. The recoverable grant was provided to fund predevelopment costs for new facilities in San Jose. Launchpad drew on the grant in the amounts of \$105,540 and \$102,606 for LLC6 and LLC8, respectively. As of June 30, 2012, the balance drawn by LLC8 is classified as a current liability to be repaid upon completion of permanent financing subsequent to year-end. The balance drawn by LLC6 is classified as a long term liability to be repaid upon completion of financing or September 1, 2013.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 6 - DEBT: (continued)

LLC6 LISC Loan

In December 2011, LLC6 entered into a loan agreement with Local Initiatives Support Corporation (LISC) totaling \$625,478. This loan has an effective interest rate of 6 percent. LLC6 used the proceeds of the loan to acquire real estate intended for a permanent facility for RS6. The loan is payable in full upon the earlier of closing of permanent financing for the project, or April 1, 2013. The loan uses the property financed as collateral. As of June 30, 2012, \$618,387 remains outstanding on the loan.

This loan is subject to reporting requirements and covenants customary to this type of credit transaction.

Construction Loan – RSN

Also in March 2012, RSN issued a Promissory Note in the original principal amount of \$1.971 million to Launchpad Development Eight, LLC. This loan had an effective interest rate of 4 percent and a maturity date of March 31, 2014. Interest was to accrue from the effective date of the loan and quarterly interest payments were to begin in September 2012. As of June 30, 2012, \$1.971 million remained outstanding on the loan.

In September 2012, LLC8 completed bond financing (see Note 14) in the amount of \$9.46 million (the Series 2012 Bonds), proceeds from which were used to refinance the outstanding principal and accrued interest balance under the Promissory Note described above. Subsequently, RSN used the proceeds from the repayment of the Promissory Note to repay the outstanding principal and accrued interest balance on the LLC8 Construction Loan with CSGF.

LLC8 Construction Loan Agreement

In March 2012, LLC8 entered into a Construction Loan Agreement with Bank of America in the amount of \$6 million at an effective interest rate equal to the LIBOR daily floating interest rate plus 290 basis points. Beginning May 1, 2012, accrued interest for the previous month was applied to the loan. The loan's initial maturity date was October 1, 2013, with an option to extend to April 1, 2015 over a 25 year amortization schedule. As of June 30, 2012, \$1.848 million remained outstanding on the loan. In September 2012, the entire loan was repaid through the Series 2012 Bond refinancing (see note 14).

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 6 - DEBT: (continued)

Futures maturities of debt in summary:

<u>June 30,</u>	<u>RSED Schools Total (1)</u>	<u>Launchpad Total (1)</u>	<u>RSEA Total</u>
2013	\$ 1,210,000	\$ 2,836,712	\$ 4,046,712
2014	160,000	2,192,847	2,352,847
2015	70,000	5,793,331	5,863,331
2016	570,000	7,044,324	7,614,324
2017	300,000	5,870,128	6,170,128
Thereafter	1,300,000	19,710,000	21,010,000
Discount	-	(11,294)	(11,294)
Total	<u>\$ 3,610,000</u>	<u>\$ 43,436,048</u>	<u>\$47,046,048</u>

(1) See supplementary schedule of long-term debt for detailed maturity schedules by debt instrument and location.

NOTE 7 - NET ASSET RESTRICTIONS:

Temporarily restricted net assets of \$1,569,833 relate to grants that are specifically restricted to 2012/13 operations.

NOTE 8 - OPERATING LEASES:

Related to the site development of RMS's facility, LLC1 has a 20 year land lease payable at \$10,400 monthly. Lease expense recognized for the year ended June 30, 2012 was \$129,480.

RSED had a lease for facilities that expired 2012/13.

RS6 has a one year lease for facilities payable at \$5,725 monthly starting August 1, 2012.

**ROCKETSHIP EDUCATION
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 8 - OPERATING LEASES: (continued)

Each school rents equipment under various operating leases. As of June 30, 2012, RMS, RSSP, RLS, RME and RDP each had equipment operating leases. Lease expenses recognized for the year ended June 30, 2012 totaled \$79,900.

The following is a schedule of future minimum lease payments required under operating leases.

<u>June 30,</u>	<u>RSED</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>RME</u>
2013	\$ 63,864	\$ 10,380	\$ 11,988	\$ 12,975	\$ 11,136
2014		10,380	11,988	12,975	11,136
2015			11,988	12,975	11,136
2016			999	2,132	11,136
2017					1,856
Thereafter					
Total	<u>\$ 63,864</u>	<u>\$ 20,760</u>	<u>\$ 36,963</u>	<u>\$ 41,057</u>	<u>\$ 46,400</u>

<u>June 30,</u>	<u>RDP</u>	<u>RS6</u>	<u>LLC1</u>	<u>Total</u>
2013	\$ 11,136	\$ 62,975	\$ 131,040	\$ 315,494
2014	11,136		131,040	188,655
2015	11,136		135,954	183,189
2016	11,136		137,592	162,995
2017	1,856		137,592	141,304
Thereafter			1,902,438	1,902,438
Total	<u>\$ 46,400</u>	<u>\$ 62,975</u>	<u>\$ 2,575,656</u>	<u>\$ 2,894,075</u>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 9 - EMPLOYEE RETIREMENT:

Certificated Employees

Qualified certificated employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California. The certificated employees are members of the State Teachers' Retirement System (STRS).

RSED contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Active plan members are required to contribute 8.0% of their salary and RSED is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

RSED's contributions to STRS for each of the last three fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2010	\$159,103	100%
2011	\$217,858	100%
2012	\$414,135	100%

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 10 - SPONSORING AGREEMENT:

Rocketship had a Memorandum of Understanding (MOU) with SCCOE from July 1, 2010 through June 30, 2013 which outlines the supervisory oversight provided by SCCOE. The fees to SCCOE for oversight in accordance with this agreement were \$88,448 for the year ended June 30, 2012.

NOTE 11 - RELATED PARTY TRANSACTIONS:

Facility Leases

In June 2010, RMS has entered into a 5-year facility lease with LLC1. The lease agreement was amended in September 2010 and again in November 2010 to reflect a modified schedule of lease payments. For the school year 2011/12, lease payments equaled \$483,751.

In April 2009, RSSP entered into a 7-year facility lease agreement with LLC2. The lease agreement was amended in September 2010 to reflect a modified schedule of lease payments. For the school year 2011/12, lease payments under this agreement totaled \$511,089.

In April 2010, RLS entered into a 10-year lease with LLC3. For the school year 2011/12, lease payments under this agreement totaled \$676,894.

In May 2011, RME school entered into a 15-year lease with LLC4. The lease was amended in September 2011 to reflect a modified schedule of rent payments. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease in accordance with FASB Accounting Standards Codification Topic 840 (Leases), formerly FAS 13. Based on interpretation of Topic 840, total lease expense of \$802,631 has been accrued. For school year 2011/12, lease payments under this agreement totaled \$425,283. For the school year 2011/12, LLC4 incurred facility development fees to Launchpad totaling \$55,484.

In March 2011, RDP school entered into a 20 year lease with LLC5. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease in accordance with FASB Accounting Standards Codification Topic 840 (Leases), formerly FAS 13. Based on interpretation of Topic 840, total lease expense of \$673,932 has been accrued. For school year 2011/12, lease payments under this agreement totaled \$450,272. For the school year 2011/12, LLC5 incurred facility development fees to Launchpad totaling \$77,700. \$325,000 was placed into a fully pledged reserve account at LDC for the benefit of the lender.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 11 - RELATED PARTY TRANSACTIONS: (continued)

Future estimated payments under these leases as of June 30, 2012 are as follows:

<u>June 30,</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>RME</u>	<u>RDP</u>	<u>Total</u>
2013	\$ 468,300	\$ 479,200	\$ 634,050	\$ 767,135	\$ 557,994	\$ 2,906,679
2014	468,300	459,200	634,050	944,641	557,994	3,064,185
2015	468,452	479,200	634,050	944,865	557,994	3,084,561
2016		474,000	634,050	943,563	557,994	2,609,607
2017			634,050	942,474	557,994	2,134,518
Thereafter			<u>1,902,150</u>	<u>8,522,397</u>	<u>12,279,138</u>	<u>22,703,685</u>
Total	<u>\$ 1,405,052</u>	<u>\$ 1,891,600</u>	<u>\$ 5,072,400</u>	<u>\$ 13,065,075</u>	<u>\$ 15,069,108</u>	<u>\$ 36,503,235</u>

Development Fees

In connection with the construction development projects at LLC4, LLC5, and LLC8, Launchpad has contracted to receive development fees which are accrued based on project-specific milestones.

For the 2011/12 school year, development fees were as follows:

	<u>Development Fees</u>
LLC4	55,484
LLC5	77,700
LLC8	<u>194,093</u>
Total	<u>\$ 327,277</u>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 11 - RELATED PARTY TRANSACTIONS: (continued)

Launchpad – Working Capital Line of Credit from RSN

In October 2010, Launchpad entered into a revolving line of credit agreement (LP LOC) with RSN in the amount of \$682,000 to support working capital needs associated with the startup phase of each school development project. The applicable annual interest rate is 4.0 percent on outstanding balances under this facility. As of June 30, 2012, the outstanding balance under this agreement was \$301,910 with \$4,052 accrued interest receivable. During 2011/12, RSN charged LP at total of \$13,379 in interest on the LOC. The LP LOC is subject to reporting requirements and covenants customary to this type of credit facility.

Management Contracts

RMS, RSSP, RLS, RME, RDP, RS6, RS7, and RS8 have all contracted to receive management and support services from RSN for which they pay management fees.

For the 2011/12 school year, management fees were as follows:

	<u>Management Fees</u>
RMS	\$ 878,978
RSSP	913,101
RLS	662,853
RME	510,746
RDP	506,496
RS6	52,500
RS7	52,500
RS8	<u>87,500</u>
Total	<u>\$ 3,664,674</u>

Donated Capital Property

Launchpad LLC3 provided an in-kind donation of capital property to RLS during the 2011/12 school year, valued at \$6,687. RLS recorded the asset as a capital addition and in-kind donation revenue.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 11 - RELATED PARTY TRANSACTIONS: (continued)

Donated Services

RSN provided certain organizational support services, including accounting, finance, and human resources, as well as shared office space to Launchpad (Donated Services) during the 2011/12 school year. For the 2011/12 school year, the amount of Donated Services from RSN to Launchpad was \$87,546.

RSED Grants to Schools

During the 2011/12 school year, RSN provided a \$310,000 grant to RME.

RSED Contribution to Launchpad

During 2011/12 school year, RSN received a grant of \$100,000 on behalf of Launchpad Development Company's facility development efforts. In accordance with the intent of the grant, RSN contributed the funds to Launchpad to use directly.

NOTE 12 - LINES OF CREDIT:

Focus Bank – Revolving Lines of Credit

RSN entered into a series of revolving line of credit agreements (the Revolver) with Focus Business Bank for RSN/RMS, RSSP, RLS, RME and RDP. The amount available under each Revolver is determined by an advance rate not to exceed 80 percent of total accounts receivable. The applicable interest rate is the Prime Rate + 0.50 percent with a minimum total interest rate of 4.25 percent.

Total availability under the Revolver for RSN/RMS, RSSP, RLS, RME and RDP was \$500,000, \$400,000, \$400,000, \$300,000 and \$300,000 respectively. As of June 30, 2012, there were outstanding balances under the Revolver at RLS, RME and RDP of \$400,000, \$300,000 and \$300,000, respectively.

Each Revolver is subject to reporting requirements and covenants customary to this type of credit facility. As required by the Lender, RSN provided a Payment Guaranty to the Lender in support of the financings of RSSP, RLS, RME and RDP.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

RSEA has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, management believes all compliance requirements have been met.

NOTE 14 - SUBSEQUENT EVENTS:

Revenue Anticipation Note

On October of 2012 RSED signed a Revenue Anticipation Note with Low Income Investment Fund (LIIF) and NCB Capital Impact (NCB) on behalf of its seven California schools. The Maximum Borrowing Capacity under the note is the lesser amount of \$6.0 million or 90% of the deferred revenue payments from the State of California. Repayment of each draw amount will be made through an intercept facility that will provide for diverting of future state payments and divert to a trustee who will repay note holders based on a schedule agreed to at time of each specific draw. Repayment will be made in full no later than the final state payment for the 12/13 school year in August 2013. Interest Rate is LIBOR plus 450 basis points with a floor of 4.75%. Security for the note is all receivables expected from deferred California Revenue Payments. The first draw on the note was received in October 2012 in the following amounts:

RSSP	\$ 300,000
RLS	350,000
RME	250,000
RDP	<u>400,000</u>
Total	<u>\$ 1,300,000</u>

RSA Bonds Payable

In September 2012, Launchpad completed a bond financing in the amount of \$9.46 million (the Series 2012 Bonds proceeds from which were used to finance and refinance the acquisition, construction, improvement and equipping of a charter school owned by the Borrower in San Jose, California, fund a deposit to the Reserve Account, pay interest on a portion of the Series 2012 Bonds through December 1, 2012 and pay certain costs of issuance of the Series 2012 Bonds.

The Series 2012 Bonds are divided into a \$9.105 million Series 2012A Bond and a \$0.355 million Series 2012B Bond. The Series 2012A Bond matures June 1, 2043 and the Series 2012B Bond matures June 1, 2016. Interest is paid semi-annually at a rate of 6.25% on the Series 2012A Bonds and 8.5% on the Series 2012B Bonds.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NOTE 14 - SUBSEQUENT EVENTS: (continued)

Consolidation Approved

On November 6, 2012 the Rocketship Education Board of Directors approved consolidation of the RSSP, RLS, RME, RDP, RS6, RS7, and RS8 entities. Each entity will be consolidated into Rocketship Education before 6/30/13. Management is in the process of notifying parties in contract with these entities about the consolidation and obtaining consents where necessary.

SUPPLEMENTARY INFORMATION

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**HISTORY AND ORGANIZATION
For the Year Ended June 30, 2012**

Rocketship Education (RSED) is a California non-profit public benefit corporation that was incorporated in May 2006 and is organized to manage, operate, guide, direct, and promote a network of outstanding inner-city college preparatory elementary charter schools.

Rocketship Mateo Sheedy Elementary (RMS)	Charter Number: 0850 – Active
Rocketship Si Se Puede Academy (RSSP)	Charter Number: 1061 – Active
Rocketship Los Suenos Elementary School (RLS)	Charter Number: 1127 – Active
Rocketship Mosiac Elementary School (RME)	Charter Number: 1192 – Active
Rocketship Discovery Prep (RDP)	Charter Number: 1193 – Active
Rocketship Six Elementary (RS6)	Charter Number: 1393 – Begins 2012/13
Rocketship Seven Elementary (RS7)	Charter Number: 1394 – Begins 2012/13
Rocketship Eight Elementary (RS8)	Charter Number: 1404 – Begins 2013/14
Rocketship Nine Elementary (RS9)	Charter Number: 1389 – Begins 2013/14
Rocketship Ten Elementary (RS10)	Charter Number: Pending
Rocketship Education One Milwaukee (RS1M)	Begins 2013/14

Board of Directors

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Marcus Cole	President	2014
Alex Terman	Treasurer	2014
Shawn Carolan	Secretary	2014
Alex Hernandez	Member	2014
Fred Ferrer	Member	2014
Kim Smith	Member	2014
Al Crites	Member	2014
Jennifer Niles	Member	2014
Louis Jordan	Member	2014
Tim Sheehy	Member	2014
Tim Ranzetta	Member	2013
Deborah McGriff	Member	2013
Jeff Wetzler	Member	2013
John Rosenburg	Member	2013

Administration

John Danner	Co-Founder and CEO
Preston Smith	Co-Founder and President
Andrew Stern	Chief Financial Officer

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - ROCKETSHIP SCHOOLS
June 30, 2012**

	<u>Rocketship National</u>	<u>Rocketship Mateo Sheedy Elementary</u>	<u>Rocketship Si Se Puede</u>	<u>Rocketship Los Suenos Academy</u>	<u>Rocketship Mosaic Elementary</u>	<u>Rocketship Discovery Prep</u>	<u>Rocketship Six Elementary</u>	<u>Total Page 1</u>
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 4,524,664	\$ 979,638	\$ 106,669	\$ 137,440	\$ 346,244	\$ 123,466	\$ 66,740	\$ 6,284,861
Accounts receivable	4,463,090	778,318	1,579,132	1,554,787	1,161,687	1,447,647	63,523	11,048,184
Grants receivable	333,598							333,598
Intracompany receivable	625,000							625,000
Prepaid expenses and deposits	142,193	9,305	21,664	10,982	30,667	25,484	16,336	256,631
Total current assets	<u>10,088,545</u>	<u>1,767,261</u>	<u>1,707,465</u>	<u>1,703,209</u>	<u>1,538,598</u>	<u>1,596,597</u>	<u>146,599</u>	<u>18,548,274</u>
LONG-TERM ASSETS:								
Grants receivable	582,367							582,367
Security deposits				250,000	250,000	250,000	250,000	1,000,000
Property, plant & equipment		67,351	12,486	29,034	5,086			113,957
Less: Accumulated depreciation		(64,357)	(7,341)	(138)	(57)			(71,893)
Total property, plant and equipment, net		2,994	5,145	28,896	5,029			42,064
Total long-term assets	<u>582,367</u>	<u>2,994</u>	<u>5,145</u>	<u>278,896</u>	<u>255,029</u>	<u>250,000</u>	<u>250,000</u>	<u>1,624,431</u>
Total assets	<u>\$ 10,670,912</u>	<u>\$ 1,770,255</u>	<u>\$ 1,712,610</u>	<u>\$ 1,982,105</u>	<u>\$ 1,793,627</u>	<u>\$ 1,846,597</u>	<u>\$ 396,599</u>	<u>\$ 20,172,705</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable	\$ 144,066	\$ 73,611	\$ 102,261	\$ 77,181	\$ 79,545	\$ 58,212	\$ 64,023	\$ 598,899
Accrued liabilities	467,780	189,071	274,369	659,025	389,188	675,600	5,906	2,660,939
Accrued interest	10,000	611	419	502	883	106		12,521
Intracompany payable						400,000		400,000
Lines of credit				400,000	300,000	300,000		1,000,000
Current portion of loans payable	1,000,000	50,000	40,000	70,000	50,000			1,210,000
Total current liabilities	<u>1,621,846</u>	<u>313,293</u>	<u>417,049</u>	<u>1,206,708</u>	<u>819,616</u>	<u>1,433,918</u>	<u>69,929</u>	<u>5,882,359</u>
LONG-TERM LIABILITIES:								
Accrued interest	143,554						30,000	173,554
Deferred rent liability					377,348	223,660		601,008
Convertible loans	1,300,000		40,000	110,000	150,000		250,000	1,550,000
Loans payable	300,000		40,000	110,000	527,348		280,000	600,000
Total long-term liabilities	<u>1,743,554</u>	<u>-</u>	<u>40,000</u>	<u>110,000</u>	<u>527,348</u>	<u>223,660</u>	<u>280,000</u>	<u>2,924,562</u>
NET ASSETS:								
Unrestricted	5,745,679	1,456,962	1,255,561	665,397	436,663	189,019	46,670	9,795,951
Temporarily restricted	1,559,833				10,000			1,569,833
Total net assets	<u>7,305,512</u>	<u>1,456,962</u>	<u>1,255,561</u>	<u>665,397</u>	<u>446,663</u>	<u>189,019</u>	<u>46,670</u>	<u>11,365,784</u>
Total liabilities and net assets	<u>\$ 10,670,912</u>	<u>\$ 1,770,255</u>	<u>\$ 1,712,610</u>	<u>\$ 1,982,105</u>	<u>\$ 1,793,627</u>	<u>\$ 1,846,597</u>	<u>\$ 396,599</u>	<u>\$ 20,172,705</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - ROCKETSHIP SCHOOLS (Continued)
June 30, 2012

	<u>Total From Page 1</u>	<u>Rocketship Seven Elementary</u>	<u>Rocketship Eight Elementary</u>	<u>Rocketship Nine Elementary</u>	<u>Rocketship Ten Elementary</u>	<u>Rocketship One Milwaukee</u>	<u>Total Rocketship Schools</u>
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 6,284,861	\$ 78,489	\$ 55,261	\$ -	\$ -	\$ -	\$ 6,418,611
Accounts receivable	11,048,184	62,633					9,653,828
Grants receivable	333,598						333,598
Intracompany receivable	625,000						-
Prepaid expenses and deposits	256,631	5,000					261,631
Total current assets	<u>18,548,274</u>	<u>146,122</u>	<u>55,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,667,668</u>
LONG-TERM ASSETS:							
Grants receivable	582,367						582,367
Security deposits	1,000,000	250,000	250,000	75,000	75,000	75,000	1,725,000
Property, plant & equipment	113,957						113,957
Less: Accumulated depreciation	(71,893)						(71,893)
Total property, plant and equipment, net	<u>42,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,064</u>
Total long-term assets	<u>1,624,431</u>	<u>250,000</u>	<u>250,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>2,349,431</u>
Total assets	<u>\$ 20,172,705</u>	<u>\$ 396,122</u>	<u>\$ 305,261</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 19,017,099</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$ 598,899	\$ 58,124	\$ -	\$ -	\$ -	\$ -	\$ 552,023
Accrued liabilities	2,660,939	3,443	50,000				1,362,393
Accrued interest	12,521						12,521
Intracompany payable	400,000			75,000	75,000	75,000	-
Lines of credit	1,000,000						1,000,000
Current portion of loans payable	1,210,000						1,210,000
Total current liabilities	<u>5,882,359</u>	<u>61,567</u>	<u>50,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>4,136,937</u>
LONG-TERM LIABILITIES:							
Accrued interest	173,554	30,000					203,554
Deferred rent liability	601,008						601,008
Convertible loans	1,550,000	250,000					1,800,000
Loans payable	600,000						600,000
Total long-term liabilities	<u>2,924,562</u>	<u>280,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,204,562</u>
NET ASSETS:							
Unrestricted	9,795,951	54,555	255,261	-	-	-	10,105,767
Temporarily restricted	1,569,833						1,569,833
Total net assets	<u>11,365,784</u>	<u>54,555</u>	<u>255,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,675,600</u>
Total liabilities and net assets	<u>\$ 20,172,705</u>	<u>\$ 396,122</u>	<u>\$ 305,261</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 19,017,099</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES - ROCKETSHIP SCHOOLS
For the Year Ended June 30, 2012

	<u>Rocketship National</u>	<u>Rocketship Mateo Sheedy Elementary</u>	<u>Rocketship Si Se Puede</u>	<u>Rocketship Los Suenos Academy</u>	<u>Rocketship Mosaic Elementary</u>	<u>Rocketship Discovery Prep</u>	<u>Rocketship Six Elementary</u>	<u>Total Page 1</u>
UNRESTRICTED NET ASSETS:								
Revenues								
Apportionment revenue	\$ -	\$ 257,972	\$ 1,810,560	\$ 2,455,564	\$ 1,262,885	\$ 1,963,415	\$ -	\$ 7,750,396
Categorical grant revenue		473,251	505,592	445,400	412,170	398,108		2,234,521
Property taxes		2,276,654	1,037,193	2,081	791,474	71,267		4,178,669
Other State revenue	1,087,816	523,846	560,288	591,119	426,791	422,236		3,612,096
Federal revenue	523,836	600,399	396,667	557,424	277,650	271,521	82,195	2,709,692
Other local revenue	3,731,825	11,089	24,871	27,479	41,534	36,856	4,025	3,877,679
Contributions	2,757,341	5,266	25,077	9,147	705,333	412,926		3,915,090
Amounts released from restriction	1,583,000							1,583,000
Total unrestricted revenues	<u>9,683,818</u>	<u>4,148,477</u>	<u>4,360,248</u>	<u>4,088,214</u>	<u>3,917,837</u>	<u>3,576,329</u>	<u>86,220</u>	<u>29,861,143</u>
Program Expenses								
Educational programs	1,108,816	3,042,993	3,131,315	3,088,611	2,973,065	2,823,031	61,184	16,229,015
Supporting Services								
Site supports	1,950,305							1,950,305
Program development and expansion	1,247,345							1,247,345
Administration and general	3,212,389	878,978	913,101	662,854	510,746	506,496	52,500	6,737,064
Total supporting services	<u>6,410,039</u>	<u>878,978</u>	<u>913,101</u>	<u>662,854</u>	<u>510,746</u>	<u>506,496</u>	<u>52,500</u>	<u>9,934,714</u>
Total expenses	<u>7,518,855</u>	<u>3,921,971</u>	<u>4,044,416</u>	<u>3,751,465</u>	<u>3,483,811</u>	<u>3,329,527</u>	<u>113,684</u>	<u>26,163,729</u>
Increase (decrease) in unrestricted net assets	2,164,963	226,506	315,832	336,749	434,026	246,802	(27,464)	3,697,414
TEMPORARILY RESTRICTED NET ASSETS:								
Amounts released from restriction	(1,583,000)							(1,583,000)
Contributions	1,559,833				10,000			1,569,833
Increase (decrease) in temporarily restricted net assets	<u>(23,167)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>(13,167)</u>
Beginning net assets	5,163,716	1,230,456	939,729	328,648	2,637	(57,783)	74,134	7,681,537
Ending net assets	<u>\$ 7,305,512</u>	<u>\$ 1,456,962</u>	<u>\$ 1,255,561</u>	<u>\$ 665,397</u>	<u>\$ 446,663</u>	<u>\$ 189,019</u>	<u>\$ 46,670</u>	<u>\$ 11,365,784</u>

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See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES - ROCKETSHIP SCHOOLS (Continued)
For the Year Ended June 30, 2012

	Total From Page 1	Rocketship Seven Elementary	Rocketship Eight Elementary	Rocketship Nine Elementary	Rocketship Ten Elementary	Rocketship One Milwaukee	Eliminations	Total Rocketship Schools
UNRESTRICTED NET ASSETS:								
Revenues								
Apportionment revenue	\$ 7,750,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,750,396
Categorical grant revenue	2,234,521							2,234,521
Property taxes	4,178,669							4,178,669
Other State revenue	3,612,096							3,612,096
Federal revenue	2,709,692	81,476						2,791,168
Other local revenue	3,877,679						(3,664,674)	213,005
Contributions	3,915,090		250,000				(310,000)	3,855,090
Amounts released from restriction	1,583,000							1,583,000
Total unrestricted revenues	29,861,143	81,476	250,000	-	-	-	(3,974,674)	26,217,945
Program Expenses								
Educational programs	16,229,015	48,555	989					16,278,559
Supporting Services								
Site supports	1,950,305							1,950,305
Program development and expansion	1,247,345							1,247,345
Administration and general	6,737,064	52,500	87,500				(3,974,674)	2,902,390
Total supporting services	9,934,714	52,500	87,500				(3,974,674)	6,100,040
Total expenses	26,163,729	101,055	88,489	-	-	-	(3,974,674)	22,378,599
Increase (decrease) in unrestricted net assets	3,697,414	(19,579)	161,511					3,839,346
TEMPORARILY RESTRICTED NET ASSETS:								
Amounts released from restriction	(1,583,000)							(1,583,000)
Contributions	1,569,833							1,569,833
Increase (decrease) in temporarily restricted net assets	(13,167)	-	-	-	-	-	-	(13,167)
Beginning net assets	7,681,537	74,134	93,750					7,849,421
Ending net assets	\$ 11,365,784	\$ 54,555	\$ 255,261	\$ -	\$ -	\$ -	\$ -	\$ 11,675,600

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES - ROCKETSHIP SCHOOLS
For the Year Ended June 30, 2012

	Rocketship National		Rocketship Mateo Sheedy Elementary		Rocketship Si Se Puede		Rocketship Los Suenos Academy		Rocketship Mosaic Elementary		Rocketship Discovery Prep		Rocketship Six Elementary		Total Page 1
1000 Certificated salaries	\$ 761,932	\$ 1,263,048	\$ 1,250,464	\$ 1,154,864	\$ 964,758	\$ 962,351	\$ -	\$ 6,357,417							
2000 Classified salaries	3,093,178	245,417	254,562	248,028	254,033	239,602	29,062	4,363,882							
3000 Benefits	662,449	295,142	300,779	274,381	244,668	255,217	5,181	2,037,817							
4000 Books and supplies	236,764	430,707	449,217	442,809	464,152	458,183	8,594	2,490,426							
5000 Other operating expenses	2,373,579	1,682,458	1,784,841	1,630,151	1,555,212	1,414,025	60,463	10,500,729							
6000 Capital expenses and depreciation		1,519	2,540	160	105	43		4,367							
7000 Transfers and interest expenses	390,953	3,680	2,013	1,072	883	106	10,384	409,091							
Total expenses	\$ 7,518,855	\$ 3,921,971	\$ 4,044,416	\$ 3,751,465	\$ 3,483,811	\$ 3,329,527	\$ 113,684	\$ 26,163,729							

EXPENSES BY STATE CATEGORIES:

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES - ROCKETSHIP SCHOOLS (Continued)
For the Year Ended June 30, 2012

	Total From Page 1	Rocketship Seven Elementary	Rocketship Eight Elementary	Rocketship Nine Elementary	Rocketship Ten Elementary	Rocketship One Milwaukee	TOTAL
1000 Certificated salaries	\$ 6,357,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,357,417
2000 Classified salaries	4,363,882	24,135					4,388,017
3000 Benefits	2,037,817	4,643					2,042,460
4000 Books and supplies	2,490,426	5,101	139				2,495,666
5000 Other operating expenses	10,500,729	56,792	88,350				10,645,871
6000 Capital expenses and depreciation	4,367						4,367
7000 Transfers and interest expenses	409,091	10,384					419,475
Total expenses	<u>\$ 26,163,729</u>	<u>\$ 101,055</u>	<u>\$ 88,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,353,273</u>

EXPENSES BY STATE CATEGORIES:

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF CASH FLOWS - ROCKETSHIP SCHOOLS
For the Year Ended June 30, 2012

	Rocketship National	Rocketship Mateo Sheedy Elementary	Rocketship Si Se Puede	Rocketship Los Suenos Academy	Rocketship Mosaic Elementary	Rocketship Discovery Prep	Rocketship Six Elementary	Total Page 1
CASH FLOWS from OPERATING ACTIVITIES:								
Change in Net Assets	\$ 2,141,796	\$ 226,506	\$ 315,832	\$ 336,749	\$ 444,026	\$ 246,802	\$ (27,464)	\$ 3,684,247
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation		1,497	2,497	138	57			4,189
Debt forgiven through grant agreement				(6,687)	(269,616)	(269,616)		(539,232)
Donation of in-kind property								(6,687)
(Increase) or decrease in operating assets:								
Accounts receivable	(3,470,896)	139,674	(277,177)	(472,851)	(1,161,687)	(1,447,647)	(63,523)	(6,754,107)
Grants receivable	167,035							167,035
Prepaid expenses and deposits	(70,466)	(9,305)	(21,164)	(10,982)	(30,667)	(25,484)	(191,336)	(359,404)
Increase or (decrease) in operating liabilities:								
Accounts payable and accrued liabilities	17,196	(21,728)	114,224	512,352	461,745	704,776	80,313	1,868,878
Deferred revenue				(62,500)				(62,500)
Deferred rent liability					377,348	223,660		601,008
Net cash provided (used) by operating activities	(1,215,335)	336,644	134,212	296,219	(178,794)	(567,509)	(202,010)	(1,396,573)
CASH FLOWS from INVESTING ACTIVITIES:								
Payment on note receivable	3,513,614			(22,347)	(5,086)			3,513,614
Purchase of property plant and equipment								(27,433)
Net cash provided (used) by investing activities	3,513,614	-	-	(22,347)	(5,086)	-	-	3,486,181
CASH FLOWS from FINANCING ACTIVITIES:								
Intracompany loans	175,000			(700,000)		300,000		(225,000)
Change in line of credit				400,000	300,000	300,000		1,000,000
Proceeds from debt	1,500,000			150,000	200,000			1,850,000
Repayment of debt	(3,500,000)	(50,000)	(40,000)	(70,000)				(3,660,000)
Net cash provided (used) by financing activities	(1,825,000)	(50,000)	(40,000)	(220,000)	500,000	600,000	-	(1,035,000)
Net increase (decrease) in cash and cash equivalents	473,279	286,644	94,212	53,872	316,120	32,491	(202,010)	1,054,608
Cash and cash equivalents at the beginning of the year	4,051,385	692,994	12,457	83,568	30,124	90,975	268,750	5,230,253
Cash and cash equivalents at the end of the year	\$ 4,524,664	\$ 979,638	\$ 106,669	\$ 137,440	\$ 346,244	\$ 123,466	\$ 66,740	\$ 6,284,861
CASH PAID FOR INTEREST (Net of capitalized amount)	\$ 34,342	\$ 3,069	\$ 1,594	\$ 570	\$ -	\$ -	\$ -	\$ 39,575

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF CASH FLOWS - ROCKETSHIP SCHOOLS (Continued)
For the Year Ended June 30, 2012

	<u>Total</u>	<u>Rocketship</u>	<u>Rocketship</u>	<u>Rocketship</u>	<u>Rocketship</u>	<u>Rocketship</u>	<u>Rocketship</u>	<u>Total</u>
	<u>From</u>	<u>Seven</u>	<u>Eight</u>	<u>Nine</u>	<u>Ten</u>	<u>One</u>	<u>Rocketship</u>	
	<u>Page 1</u>	<u>Elementary</u>	<u>Elementary</u>	<u>Elementary</u>	<u>Elementary</u>	<u>Milwaukee</u>	<u>Schools</u>	
CASH FLOWS from OPERATING ACTIVITIES:								
Change in Net Assets	\$ 3,684,247	\$ (19,579)	\$ 161,511	\$ -	\$ -	\$ -	\$ -	\$ 3,826,179
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	4,189							4,189
Debt forgiven through grant agreement	(539,232)							(539,232)
Donation of in-kind property	(6,687)							(6,687)
(Increase) or decrease in operating assets:								
Accounts receivable	(6,754,107)	(62,633)						(6,816,740)
Grants receivable	167,035							167,035
Prepaid expenses and deposits	(359,404)	(255,000)	(250,000)	(75,000)	(75,000)	(75,000)		(1,089,404)
Increase or (decrease) in operating liabilities:								
Accounts payable and accrued liabilities	1,868,878	71,951	50,000					1,990,829
Deferred revenue	(62,500)							(62,500)
Deferred rent liability	601,008							601,008
Net cash provided (used) by operating activities	<u>(1,396,573)</u>	<u>(265,261)</u>	<u>(38,489)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(1,925,323)</u>
CASH FLOWS from INVESTING ACTIVITIES:								
Payment on note receivable	3,513,614							3,513,614
Purchase of property plant and equipment	(27,433)							(27,433)
Net cash provided (used) by investing activities	<u>3,486,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,486,181</u>
CASH FLOWS from FINANCING ACTIVITIES:								
Intracompany loans	(225,000)			75,000	75,000	75,000		-
Change in line of credit	1,000,000							1,000,000
Proceeds from debt	1,850,000							1,850,000
Repayment of debt	(3,660,000)							(3,660,000)
Net cash provided (used) by financing activities	<u>(1,035,000)</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>(810,000)</u>
Net increase (decrease) in cash and cash equivalents	1,054,608	(265,261)	(38,489)	-	-	-	-	750,858
Cash and cash equivalents at the beginning of the year	5,230,253	343,750	93,750	-	-	-	-	5,667,753
Cash and cash equivalents at the end of the year	<u>\$ 6,284,861</u>	<u>\$ 78,489</u>	<u>\$ 55,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,418,611</u>
CASH PAID FOR INTEREST (Net of capitalized amount)	<u>\$ 39,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,575</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

SCHEDULE OF LONG-TERM DEBT - ROCKETSHIP SCHOOLS
For the Year Ended June 30, 2012

Futures maturities of debt by instrument:

June 30,	Convertible CSGF	CSGF	Convertible Walton	CDE Loans	Total
2013	\$ -	\$ 1,000,000	\$ -	\$ 210,000	\$ 1,210,000
2014				160,000	160,000
2015				70,000	70,000
2016			500,000	70,000	570,000
2017	300,000				300,000
Thereafter	1,300,000				1,300,000
Total	<u>\$ 1,600,000</u>	<u>\$ 1,000,000</u>	<u>\$ 500,000</u>	<u>\$ 510,000</u>	<u>\$ 3,610,000</u>

Futures maturities of debt by location:

June 30,	RSN	RMS	RSSP	RLS	RME	RS6	RS7	RSED Schools Total
2013	\$ 1,000,000	\$ 50,000	\$ 40,000	\$ 70,000	\$ 50,000	\$ -	\$ -	\$ 1,210,000
2014			40,000	70,000	50,000			160,000
2015				20,000	50,000			70,000
2016				20,000	50,000	250,000	250,000	570,000
2017	300,000							300,000
Thereafter	1,300,000							1,300,000
Total	<u>\$ 2,600,000</u>	<u>\$ 50,000</u>	<u>\$ 80,000</u>	<u>\$ 180,000</u>	<u>\$ 200,000</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 3,610,000</u>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - LAUNCHPAD
June 30, 2012

	<u>Launchpad</u>	<u>MLLC1</u>	<u>LCI</u>	<u>LLC1</u>	<u>LLC2</u>	<u>LLC3</u>	<u>LLC4</u>	<u>LLC5</u>	<u>LLC6</u>	<u>Total</u>
	<u>Page 1</u>									<u>Page 1</u>
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	\$ 31,526	\$ 24,710	\$ -	\$ 76,708	\$ 44,356	\$ 154,257	\$ 940,100	\$ 85,870	\$ -	\$ 1,357,527
Restricted cash	325,924			199,264	104,950	942,390	355,121			1,927,649
Accounts receivable	661,826			34,273	25,917	10,088				732,104
Prepaid expenses and deposits	3,518			32,877	8,144	991	1,090	1,090		82,710
Total current assets	<u>1,022,794</u>	<u>59,710</u>	<u>-</u>	<u>109,585</u>	<u>286,037</u>	<u>286,115</u>	<u>1,893,668</u>	<u>442,081</u>	<u>-</u>	<u>4,099,990</u>
LONG-TERM ASSETS:										
Intracompany receivable	814,176							260,000		1,074,176
Deferred rent asset							377,348	223,660		601,008
Property, plant & equipment	49,627	64,768		6,032,753	6,995,437	7,099,433	8,240,852	9,428,547	1,089,864	39,001,281
Less: Accumulated depreciation	(3,854)			(1,148,237)	(424,331)	(343,681)	(208,629)	(191,484)		(2,320,216)
Total property, plant and equipment, net	<u>45,773</u>	<u>64,768</u>	<u>-</u>	<u>4,884,516</u>	<u>6,571,106</u>	<u>6,755,752</u>	<u>8,032,223</u>	<u>9,237,063</u>	<u>1,089,864</u>	<u>36,681,065</u>
Total long-term assets	<u>859,949</u>	<u>64,768</u>	<u>-</u>	<u>4,884,516</u>	<u>6,571,106</u>	<u>6,755,752</u>	<u>8,409,571</u>	<u>9,720,723</u>	<u>1,089,864</u>	<u>38,356,249</u>
Total assets	<u>\$ 1,882,743</u>	<u>\$ 124,478</u>	<u>\$ -</u>	<u>\$ 4,994,101</u>	<u>\$ 6,857,143</u>	<u>\$ 7,041,867</u>	<u>\$ 10,303,239</u>	<u>\$ 10,162,804</u>	<u>\$ 1,089,864</u>	<u>\$ 42,456,239</u>
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES:										
Accounts payable and accrued liabilities	\$ 306,205	15,587	3,500	\$ 500	\$ 27,273	\$ 26,417	\$ 10,915	\$ 13,172	\$ 17,192	\$ 420,761
Accrued interest	4,052			23,537	31,167	33,616	71,755	50,171		214,298
Deferred revenue				1,157	8,144	991	1,088	1,090		12,470
Current portion of loans payable				24,752		119,687			618,387	762,826
Total current liabilities	<u>310,257</u>	<u>15,587</u>	<u>3,500</u>	<u>49,946</u>	<u>66,584</u>	<u>180,711</u>	<u>83,758</u>	<u>64,433</u>	<u>635,579</u>	<u>1,410,355</u>
LONG-TERM LIABILITIES:										
Intracompany payable		34,241	4,800		50,000	320,000			334,101	743,142
Security deposits		75,000				250,000	250,000	250,000	250,000	1,075,000
Loans payable				5,593,163	6,800,000	6,173,406	10,103,706	9,975,000	105,540	38,750,815
Total long-term liabilities	<u>-</u>	<u>109,241</u>	<u>4,800</u>	<u>5,593,163</u>	<u>6,850,000</u>	<u>6,743,406</u>	<u>10,353,706</u>	<u>10,225,000</u>	<u>689,641</u>	<u>40,568,957</u>
NET ASSETS:										
Unrestricted	1,572,486	(350)	(8,300)	(649,008)	(59,441)	117,750	(134,225)	(126,629)	(235,356)	476,927
Total net assets	<u>1,572,486</u>	<u>(350)</u>	<u>(8,300)</u>	<u>(649,008)</u>	<u>(59,441)</u>	<u>117,750</u>	<u>(134,225)</u>	<u>(126,629)</u>	<u>(235,356)</u>	<u>476,927</u>
Total liabilities and net assets	<u>\$ 1,882,743</u>	<u>\$ 124,478</u>	<u>\$ -</u>	<u>\$ 4,994,101</u>	<u>\$ 6,857,143</u>	<u>\$ 7,041,867</u>	<u>\$ 10,303,239</u>	<u>\$ 10,162,804</u>	<u>\$ 1,089,864</u>	<u>\$ 42,456,239</u>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - LAUNCHPAD (Continued)
June 30, 2012

	Total From Page 1	LLC7	LLC8	LLC9	LLC10	LLC11	LLC12	Eliminations	Total Launchpad
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	\$ 1,357,527	\$ 6,164	\$ 1,258,435	\$ 64,900	\$ 67,245	\$ -	\$ -	\$ -	\$ 2,754,271
Restricted cash	1,927,649								\$ 1,927,649
Accounts receivable	732,104							(101,826)	630,278
Prepaid expenses and deposits	82,710	40,000	35,174						157,884
Total current assets	4,099,990	46,164	1,293,609	64,900	67,245	-	-	(101,826)	5,470,082
LONG-TERM ASSETS:									
Intracompany receivable	1,074,176							(1,074,176)	-
Deferred rent asset	601,008								601,008
Property, plant & equipment	39,001,281		5,781,592	30,837	71,263				44,884,973
Less: Accumulated depreciation	(2,320,216)		(10,000)						(2,330,216)
Total property, plant and equipment, net	36,681,065	-	5,771,592	30,837	71,263	-	-	-	42,554,757
Total long-term assets	38,356,249	-	5,771,592	30,837	71,263	-	-	(1,074,176)	43,155,765
Total assets	\$ 42,456,239	\$ 46,164	\$ 7,065,201	\$ 95,737	\$ 138,508	\$ -	\$ -	\$ (1,176,002)	\$ 48,625,847
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Accounts payable and accrued liabilities	\$ 420,761	\$ 500	\$ 2,556,201	21,556	64,328	\$ -	\$ -	(101,826)	\$ 2,961,520
Accrued interest	214,298		19,012						233,310
Deferred revenue	12,470								12,470
Current portion of loans payable	762,826		2,073,886						2,836,712
Total current liabilities	1,410,355	500	4,649,099	21,556	64,328	-	-	(101,826)	6,044,012
LONG-TERM LIABILITIES:									
Intracompany payable	743,142		329,394			820	820	(1,074,176)	-
Security deposits	1,075,000	250,000	250,000	75,000	75,000				1,725,000
Loans payable	38,750,815		1,848,521						40,599,336
Total long-term liabilities	40,568,957	250,000	2,427,915	75,000	75,000	820	820	(1,074,176)	42,324,336
NET ASSETS:									
Unrestricted	476,927	(204,336)	(11,813)	(819)	(820)	(820)	(820)	-	257,499
Total net assets	476,927	(204,336)	(11,813)	(819)	(820)	(820)	(820)	-	257,499
Total liabilities and net assets	\$ 42,456,239	\$ 46,164	\$ 7,065,201	\$ 95,737	\$ 138,508	\$ -	\$ -	\$ (1,176,002)	\$ 48,625,847

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES - LAUNCHPAD
For the Year Ended June 30, 2012

	Launchpad	MLLC1	LCI	LLC1	LLC2	LLC3	LCC4	LCC5	LLC6	Total Page 1
REVENUES:										
Other local revenue	\$ 337,937	\$ -	\$ -	\$ 483,754	\$ 511,089	\$ 677,736	\$ 804,243	\$ 683,932	\$ -	\$ 3,498,691
Contributions	187,546									187,546
Total unrestricted revenues	525,483	-	-	483,754	511,089	677,736	804,243	683,932	-	3,686,237
SUPPORTING SERVICES										
Site supports	670,543	350	8,300	731,451	573,365	650,120	938,258	764,286	235,356	3,901,486
Administration and general										670,543
Total supporting services	670,543	350	8,300	731,451	573,365	650,120	938,258	764,286	235,356	4,572,029
Total expenses	670,543	350	8,300	731,451	573,365	650,120	938,258	764,286	235,356	4,572,029
Increase (decrease) in unrestricted net assets	(145,060)	(350)	(8,300)	(247,697)	(62,276)	27,616	(134,015)	(80,354)	(235,356)	(885,792)
Beginning unrestricted net assets	1,717,546	-	-	(401,311)	2,855	90,134	(210)	(46,275)	-	1,362,719
Ending unrestricted net assets	\$ 1,572,486	\$ (350)	\$ (8,300)	\$ (649,008)	\$ (59,441)	\$ 117,750	\$ (134,225)	\$ (126,629)	\$ (235,356)	\$ 476,927

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES - LAUNCHPAD (Continued)
For the Year Ended June 30, 2012

	Total From Page 1	LLC7	LLC8	LLC9	LLC10	LLC11	LLC12	Eliminations	Total Launchpad
REVENUES:									
Other local revenue	\$ 3,498,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (337,626)	\$ 3,161,065
Contributions	187,546								187,546
Total unrestricted revenues	<u>3,686,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(337,626)</u>	<u>3,348,611</u>
SUPPORTING SERVICES									
Site supports	3,901,486	204,336	11,813	819	820	820	820	(337,626)	3,783,288
Administration and general	670,543								670,543
Total supporting services	4,572,029	204,336	11,813	819	820	820	820	(337,626)	4,453,831
Total expenses	4,572,029	204,336	11,813	819	820	820	820	(337,626)	4,453,831
Increase (decrease) in unrestricted net assets	(885,792)	(204,336)	(11,813)	(819)	(820)	(820)	(820)	-	(1,105,220)
Beginning unrestricted net assets	1,362,719	-	-	-	-	-	-	-	1,362,719
Ending unrestricted net assets	<u>\$ 476,927</u>	<u>\$ (204,336)</u>	<u>\$ (11,813)</u>	<u>\$ (819)</u>	<u>\$ (820)</u>	<u>\$ (820)</u>	<u>\$ (820)</u>	<u>\$ -</u>	<u>\$ 257,499</u>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF CASH FLOWS - LAUNCHPAD
For the Year Ended June 30, 2012

	<u>Launchpad</u>	<u>MLLC1</u>	<u>LCI</u>	<u>LLC1</u>	<u>LLC2</u>	<u>LLC3</u>	<u>LLC4</u>	<u>LLC5</u>	<u>LLC6</u>	<u>Total Page 1</u>
CASH FLOWS from OPERATING ACTIVITIES:										
Change in Net Assets	\$ (145,060)	\$ (350)	\$ (8,300)	\$ (247,697)	\$ (62,276)	\$ 27,616	\$ (134,015)	\$ (80,354)	\$ (235,356)	\$ (885,792)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:										
Depreciation and amortization	3,854			302,361	151,036	191,396	210,823	191,484		1,050,954
(Increase) or decrease in operating assets:										
Accounts receivable	328,927				(26,772)	(15,715)	(10,088)			276,352
Prepaid expenses and other current assets	(2,321)	(35,000)		(12,077)	(8,144)	(991)	11,057	5,222	32,975	(9,279)
Deferred rent asset							(377,348)	(223,660)		(601,008)
Increase or (decrease) in operating liabilities:										
Accounts payable and accrued liabilities	(453,922)	15,587	3,500	(21,336)	24,999	(103,039)	69,468	63,342		(401,401)
Deferred revenue				1,157	8,144	991	1,088	1,090		12,470
Net cash provided (used) by operating activities	(268,522)	(19,763)	(4,800)	22,408	86,987	100,258	(229,015)	(42,876)	(202,381)	(557,704)
CASH FLOWS from INVESTING ACTIVITIES:										
Purchases of property, plant and equipment	(27,750)	(64,768)			(45,309)	(9,855)	(3,892,854)	(2,751,453)	(1,072,672)	(7,864,641)
Net cash used by investing activities	(27,750)	(64,768)	-	-	(45,309)	(9,855)	(3,892,854)	(2,751,453)	(1,072,672)	(7,864,641)
CASH FLOWS from FINANCING ACTIVITIES:										
Change in restricted cash	(691)				(84,420)	(63,193)	(942,390)	73,004		(1,017,690)
Intracompany loans	(126,775)	34,241	4,800		50,000		(617,401)	(10,000)	334,101	(331,034)
Receipt of long-term security deposits		75,000							175,000	250,000
Proceeds from debt									723,927	12,525,239
Repayment of debt				(23,490)		(111,101)	(5,213,414)			(5,348,005)
Net cash provided (used) by financing activities	(127,466)	109,241	4,800	(23,490)	(34,420)	(174,294)	5,028,107	63,004	1,233,028	6,078,510
Net increase (decrease) in cash and cash equivalents	(423,738)	24,710	-	(1,082)	7,258	(83,891)	906,258	(2,731,325)	(42,025)	(2,343,835)
Cash and cash equivalents at the beginning of the year	455,264	-	-	77,790	37,098	238,148	33,842	2,817,195	42,025	3,701,362
Cash and cash equivalents at the end of the year	\$ 31,526	\$ 24,710	\$ -	\$ 76,708	\$ 44,356	\$ 154,257	\$ 940,100	\$ 85,870	\$ -	\$ 1,357,527
CASH PAID FOR INTEREST										
(Net of capitalized amount)	\$ 27,478	\$ -	\$ -	\$ 287,280	\$ 380,232	\$ 414,078	\$ 649,780	\$ 480,492	\$ 20,365	\$ 2,259,705
CAPITALIZED INTEREST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,928	\$ 71,390	\$ -	\$ 102,318

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See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATING STATEMENT OF CASH FLOWS - LAUNCHPAD (Continued)
For the Year Ended June 30, 2012

	Total From Page 1	LLC7	LLC8	LLC9	LLC10	LLC11	LLC12	Eliminations	Total Launchpad
CASH FLOWS from OPERATING ACTIVITIES:									
Change in Net Assets	\$ (885,792)	\$ (204,336)	\$ (11,813)	\$ (819)	\$ (820)	\$ (820)	\$ (820)	\$ -	\$ (1,105,220)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:									
Depreciation and amortization	1,050,954		10,000						1,060,954
(Increase) or decrease in operating assets:									
Accounts receivable	276,352								276,352
Prepaid expenses and other current assets	(9,279)	(40,000)	(35,174)						(84,453)
Deferred rent asset	(601,008)								(601,008)
Increase or (decrease) in operating liabilities:									
Accounts payable and accrued liabilities	(401,401)	500	19,012						(381,889)
Deferred revenue	12,470								12,470
Net cash provided (used) by operating activities	(557,704)	(243,836)	(17,975)	(819)	(820)	(820)	(820)	-	(822,794)
CASH FLOWS from INVESTING ACTIVITIES:									
Purchases of property, plant and equipment	(7,864,641)		(3,225,391)	(9,281)	(6,935)				(11,106,248)
Net cash used by investing activities	(7,864,641)	-	(3,225,391)	(9,281)	(6,935)	-	-	-	(11,106,248)
CASH FLOWS from FINANCING ACTIVITIES:									
Change in restricted cash	(1,017,690)								(1,017,690)
Intracompany loans	(331,034)		329,394			820	820		-
Receipt of long-term security deposits	250,000	250,000	250,000	75,000	75,000				900,000
Repayment of debt	12,525,239		3,922,407						16,447,646
Proceeds from debt	(5,348,005)								(5,348,005)
Net cash provided (used) by financing activities	6,078,510	250,000	4,501,801	75,000	75,000	820	820	-	10,981,951
Net increase (decrease) in cash and cash equivalents	(2,343,835)	6,164	1,258,435	64,900	67,245	-	-	-	(947,091)
Cash and cash equivalents at the beginning of the year	3,701,362								3,701,362
Cash and cash equivalents at the end of the year	1,357,527	\$ 6,164	\$ 1,258,435	\$ 64,900	\$ 67,245	\$ -	\$ -	\$ -	\$ 2,754,271
CASH PAID FOR INTEREST (Net of capitalized amount)	\$ 2,259,705	\$ -	\$ 1,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,261,005
CAPITALIZED INTEREST	\$ 102,318	\$ -	\$ 17,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,316

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

SCHEDULE OF LONG-TERM DEBT - LAUNCHPAD
For the Year Ended June 30, 2012

Futures maturities of debt by instrument:

June 30,	LLC1 CDFI	LLC2 CDFI	LLC3 SHNM	LLC4 Bonds	LLC5 LIIF	LISC Recoverable	LLC6 LISC	LLC8 Construction	LLC8 B of A	Total
2013	\$ 24,752	\$ -	\$ 119,687	\$ -	\$ -	\$ 102,606	\$ 618,387	\$ 1,971,280	\$ -	\$ 2,836,712
2014	26,084		127,702	85,000		105,540			1,848,521	2,192,847
2015	5,567,079		136,252	90,000						5,793,331
2016		6,800,000	144,324	100,000						7,044,324
2017			5,765,128	105,000						5,870,128
Thereafter				9,735,000	9,975,000					19,710,000
Discount				(11,294)						(11,294)
Total	\$ 5,617,915	\$ 6,800,000	\$ 6,293,093	\$ 10,103,706	\$ 9,975,000	\$ 208,146	\$ 618,387	\$ 1,971,280	\$ 1,848,521	\$ 43,436,048

Futures maturities of debt by location:

June 30,	LLC1	LLC2	LLC3	LLC4	LLC5	LLC6	LLC8	Total
2013	\$ 24,752	\$ -	\$ 119,687	\$ -	\$ -	\$ 618,387	\$ 2,073,886	\$ 2,836,712
2014	26,084		127,702	85,000		105,540	1,848,521	2,192,847
2015	5,567,079		136,252	90,000				5,793,331
2016		6,800,000	144,324	100,000				7,044,324
2017			5,765,128	105,000				5,870,128
Thereafter				9,735,000	9,975,000			19,710,000
Discount				(11,294)				(11,294)
Total	\$ 5,617,915	\$ 6,800,000	\$ 6,293,093	\$ 10,103,706	\$ 9,975,000	\$ 723,927	\$ 3,922,407	\$ 43,436,048

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF INSTRUCTIONAL MINUTES
For the Year Ended June 30, 2012**

2011-12 Minutes				
	Requirement	Reduced	Actual	Status
Kindergarten:				
Mateo Sheedy	36,000	33,531	48,120	In compliance
Si Se Puede	36,000	33,531	48,120	In compliance
Los Suenos	36,000	33,531	48,120	In compliance
Mosaic	36,000	33,531	48,120	In compliance
Discovery	36,000	33,531	48,120	In compliance
Grade 1:				
Mateo Sheedy	50,400	46,944	52,640	In compliance
Si Se Puede	50,400	46,944	52,640	In compliance
Los Suenos	50,400	46,944	52,640	In compliance
Mosaic	50,400	46,944	52,640	In compliance
Discovery	50,400	46,944	52,640	In compliance
Grade 2:				
Mateo Sheedy	50,400	46,944	52,640	In compliance
Si Se Puede	50,400	46,944	52,640	In compliance
Los Suenos	50,400	46,944	52,640	In compliance
Mosaic	50,400	46,944	52,640	In compliance
Discovery	50,400	46,944	52,640	In compliance
Grade 3:				
Mateo Sheedy	50,400	46,944	52,640	In compliance
Si Se Puede	50,400	46,944	52,640	In compliance
Los Suenos	50,400	46,944	52,640	In compliance
Mosaic	50,400	46,944	52,640	In compliance
Discovery	50,400	46,944	52,640	In compliance
Grade 4:				
Mateo Sheedy	54,000	50,297	54,400	In compliance
Si Se Puede	54,000	50,297	54,400	In compliance
Los Suenos	54,000	50,297	54,400	In compliance
Mosaic	54,000	50,297	54,400	In compliance
Discovery	54,000	50,297	54,400	In compliance
Grade 5:				
Mateo Sheedy	54,000	50,297	54,400	In compliance
Si Se Puede	54,000	50,297	54,400	In compliance
Los Suenos	54,000	50,297	54,400	In compliance
Mosaic	54,000	50,297	54,400	In compliance
Discovery	54,000	50,297	54,400	In compliance
Grade 6:				
Mateo Sheedy	54,000	50,297	54,400	In compliance
Si Se Puede	54,000	50,297	54,400	In compliance
Los Suenos	54,000	50,297	54,400	In compliance
Mosaic	54,000	50,297	54,400	In compliance
Discovery	54,000	50,297	54,400	In compliance

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2012**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
Kindergarten:				
Mateo Sheedy	100.25	100.59	100.08	100.37
Si Se Puede	104.45	104.70	104.55	104.80
Los Suenos	104.62	104.91	105.17	105.46
Mosaic	146.95	147.11	146.34	146.87
Discovery	<u>139.41</u>	<u>139.80</u>	<u>140.95</u>	<u>141.38</u>
Subtotal	<u>595.68</u>	<u>597.11</u>	<u>597.09</u>	<u>598.88</u>
Grades 1-3:				
Mateo Sheedy	273.72	274.60	273.42	274.14
Si Se Puede	308.09	308.84	308.61	309.35
Los Suenos	296.99	297.64	296.60	297.27
Mosaic	257.45	257.61	259.09	259.45
Discovery	<u>231.30</u>	<u>232.03</u>	<u>231.44</u>	<u>232.27</u>
Subtotal	<u>1,367.55</u>	<u>1,370.72</u>	<u>1,369.16</u>	<u>1,372.48</u>
Grades 4-6:				
Mateo Sheedy	122.40	122.63	121.81	121.98
Si Se Puede	126.85	127.07	127.24	127.45
Los Suenos	80.33	80.40	79.68	79.82
Mosaic	-	-	-	-
Discovery	<u>28.32</u>	<u>28.58</u>	<u>28.38</u>	<u>28.78</u>
Subtotal	<u>357.90</u>	<u>358.68</u>	<u>357.11</u>	<u>358.03</u>
Total ADA	<u>2,321.13</u>	<u>2,326.51</u>	<u>2,323.36</u>	<u>2,329.39</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

There were no adjustments between the Annual Financial Report to the Audited Financial Statements.

See the accompanying notes to supplementary information.

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**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Rocketship Mateo		Rocketship Los Suenos		Rocketship Mosaic		Rocketship Discovery		RS6	RS7	Federal Expenditures
			Rocketship National	Rocketship Sheedy Elementary	Rocketship Si Se Puede Elementary	Rocketship Los Suenos Elementary	Rocketship Mosaic Elementary	Rocketship Discovery Prep					
<i>U.S. Department of Education</i>													
Pass Through Program From													
California Department of Education:													
American Recovery and Reinvestment Act:													
Title I Cluster:													
Title I, Part A, Basic Grants													
	84.010	14329	\$ -	\$ 154,772	\$ 126,988	\$ 144,028	\$ 126,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674,194
	84.367	14341		4,497	4,774	5,761	3,527						22,051
	84.365	14356		39,569	40,125					3,492			79,694
	84.282	14941				200,000							200,000
	84.282M	N/A	356,193								82,195	81,476	519,864
	84.410	25152		1,275	1,316	1,045							3,636
	84.282D	N/A		179,760									179,760
State Charter Schools Facilities													
Special Education Cluster:													
	84.027	13379	160,173	10,461	10,812	8,602							190,048
			7,470										7,470
			167,643	10,461	10,812	8,602							197,518
			523,836	390,334	184,015	359,436	129,797				82,195	81,476	1,876,717
Subtotal: Special Ed Cluster													
<i>Total U.S. Department of Education</i>													
<i>U.S. Department of Agriculture:</i>													
	10.555	N/A		210,065	212,652	197,988	147,853						914,451
				210,065	212,652	197,988	147,853						914,451
<i>Total U.S. Department of Agriculture</i>													
			\$ 523,836	\$ 600,399	\$ 396,667	\$ 557,424	\$ 277,650	\$ -	\$ -	\$ 271,521	\$ 82,195	\$ 81,476	\$ 2,791,168
Total Federal Expenditures													

N/A – Not available.

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Consolidating Statements

These statements provide detailed financial information of each affiliate.

B. Schedule of Long-Term Debt

These statements provide detailed long-term schedules both by debt instrument and by affiliate.

C. Schedule of Expenditures by State Categories

This schedule presents expenses by the object codes according to state categories for analysis purposes.

D. Schedule of Instructional Minutes

This schedule presents information on the amount of instructional time offered by Rocketship Schools and whether the schools complied with the provisions of Education Code Sections 46200 through 46206.

E. Schedule of Average Daily Attendance (ADA)

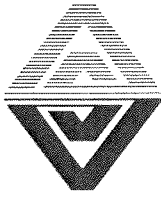
Average daily attendance is a measurement of the number of pupils attending classes of Rocketship Schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

F. Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances (net assets) of the charter school as reported on the Annual Financial Report form to the audited financial statements.

G. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule is presented on the accrual basis of accounting.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Rocketship Education and its Affiliates

We have audited the financial statements of Rocketship Education and its Affiliates (RSEA) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of RSEA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit we considered RSEA's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RSEA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RSEA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

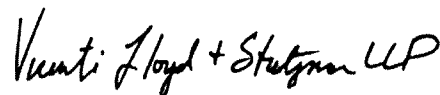
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

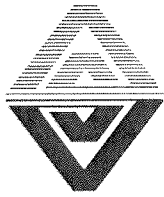
As part of obtaining reasonable assurance about whether RSEA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board, management, the Santa Clara County Office of Education, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

November 16, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Rocketship Education and its Affiliates

Compliance

We have audited the compliance of Rocketship Education and its Affiliates (RSEA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. RSEA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of RSEA's management. Our responsibility is to express an opinion on RSEA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RSEA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of RSEA's compliance with those requirements.

In our opinion, RSEA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

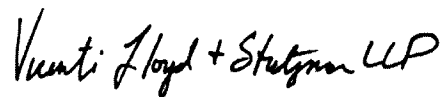
Internal Control over Compliance

Management of RSEA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered RSEA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the RSEA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal controls over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board, management, the Santa Clara County Office of Education, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

November 16, 2012

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
 Rocketship Education and its Affiliates

We have audited the compliance of Rocketship Education and its Affiliates (RSEA) with the types of compliance requirements described in the *2011-12 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2012. RSEA's State compliance requirements are identified in the table below. Compliance with the State laws and regulations as identified below is the responsibility of RSEA's management. Our responsibility is to express an opinion on RSEA's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2011-12 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about RSEA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of RSEA's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine RSEA's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Not applicable
Teacher certification and misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Continuation education	10	Not applicable
Independent study	23	Not applicable

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Not applicable
County Offices of Education	3	Not applicable
Class size reduction program (including charter schools):		
General requirements	7	Not applicable
Option 1	3	Not applicable
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Instructional materials general requirements	8	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Not applicable
School Accountability Report Card	3	Not applicable
Public hearing requirement – receipt of funds	1	Not applicable
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils – Pertussis Immunization	2	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Charter Schools:		
Contemporaneous records of attendance	3	Yes
Mode of Instruction	1	Yes
Nonclassroom–based instructional/independent study	15	Not applicable
Determination of funding for nonclassroom–based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes

In our opinion, we found that, for the items tested, RSEA complied with the laws and regulations of the state programs referred to above in all material respects.

This report is intended solely for the information of the Board, management, the Santa Clara County Office of Education, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 16, 2012

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued November 16, 2012:	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)?	<i>No</i>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Ed: IDEA
84.391	Special Ed Federal Mental Health Level II
84.282M	CSP-Grants for Replication and Expansion of High Quality Charter Schools

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<i>Yes</i>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

All audit findings must be identified as one or more of the following eleven categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings noted for the year ended June 30, 2012.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

There were no findings noted for the year ended June 30, 2011.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2012
(UNAUDITED)**

	Rocketship Education	Launchpad Development Company	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 6,418,612	\$ 2,743,059	\$ -	\$ 9,161,671
Restricted cash	-	1,938,861	-	1,938,861
Accounts receivable	9,653,827	62,778	(2,294,119)	7,422,486
Grants receivable	333,598	-	-	333,598
Intercompany receivable	-	-	-	-
Prepaid expenses and deposits	261,630	157,884	-	419,514
Total current assets	<u>16,667,667</u>	<u>4,902,582</u>	<u>(2,294,119)</u>	<u>19,276,130</u>
LONG-TERM ASSETS:				
Note receivable	-	560,000	-	560,000
Grants receivable	582,367	-	-	582,367
Intercompany receivable	-	601,008	(601,008)	-
Security deposits	1,725,000	-	(1,725,000)	-
Prepaid expenses and deposits	-	7,500	-	7,500
Property, plant & equipment	113,957	44,884,973	-	44,998,930
Less: Accumulated depreciation	(71,893)	(2,330,216)	-	(2,402,109)
Total property, plant and equipment, net	<u>42,064</u>	<u>42,554,757</u>	<u>-</u>	<u>42,596,821</u>
Total long-term assets	<u>2,349,431</u>	<u>43,723,265</u>	<u>(2,326,008)</u>	<u>43,746,688</u>
Total assets	<u>\$ 19,017,098</u>	<u>\$ 48,625,847</u>	<u>\$ (4,620,127)</u>	<u>\$ 63,022,818</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 552,022	\$ 2,597,351	\$ (301,910)	\$ 2,847,463
Accrued liabilities	1,362,392	364,169	-	1,726,561
Accrued interest	12,521	233,310	(20,929)	224,902
Deferred revenue	-	12,470	-	12,470
Intercompany payable	-	-	-	-
Current portion of loans payable	2,210,000	865,432	-	3,075,432
Total current liabilities	<u>4,136,935</u>	<u>4,072,732</u>	<u>(322,839)</u>	<u>7,886,828</u>
LONG-TERM LIABILITIES:				
Accrued interest	149,961	-	-	149,961
Deferred rent liability	601,008	-	(601,008)	0
Convertible loans	1,150,000	-	-	1,150,000
Intercompany payable	-	-	-	-
Security deposits	-	1,725,000	(1,725,000)	-
Loans payable	600,000	42,570,616	(1,971,280)	41,199,336
Total long-term liabilities	<u>2,500,969</u>	<u>44,295,616</u>	<u>(4,297,288)</u>	<u>42,499,297</u>
NET ASSETS:				
Unrestricted	10,809,361	257,499	-	11,066,860
Temporarily restricted	1,569,833	-	-	1,569,833
Total net assets	<u>12,379,194</u>	<u>257,499</u>	<u>-</u>	<u>12,636,693</u>
Total liabilities and net assets	<u>\$ 19,017,098</u>	<u>\$ 48,625,847</u>	<u>\$ (4,620,127)</u>	<u>\$ 63,022,818</u>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(UNAUDITED)**

	Rocketship Education	Launchpad Development Company	Eliminations	Consolidated
UNRESTRICTED NET ASSETS:				
Revenues				
Apportionment revenue	\$ 7,750,396	\$ -	\$ -	\$ 7,750,396
Categorical grant revenue	2,234,521	-	-	2,234,521
Property taxes	4,178,669	-	-	4,178,669
Other State revenue	3,612,095	-	-	3,612,095
Federal revenue	2,791,167	-	-	2,791,167
Other local revenue	213,006	3,161,065	(3,148,297)	225,774
Contributions	4,553,581	187,546	(194,233)	4,546,894
Amounts released from restriction	1,583,000	-	-	1,583,000
Total unrestricted revenues	26,916,435	3,348,611	(3,342,530)	26,922,516
Program expenses				
Educational programs	16,278,556	-	(3,148,297)	13,130,259
Supporting services				
Site supports	1,950,305	4,120,914	(100,000)	5,971,219
Program development and expansion	1,142,245	-	-	1,142,245
Administration and general	3,002,389	332,917	(94,233)	3,241,073
Total supporting services	6,094,939	4,453,831	(194,233)	10,354,537
Total expenses	22,373,495	4,453,831	(3,342,530)	23,484,796
Increase (decrease) in unrestricted net assets	4,542,940	(1,105,220)	-	3,437,720
TEMPORARILY RESTRICTED NET ASSETS:				
Amounts released from restriction	(1,583,000)	-	-	(1,583,000)
Contributions	1,569,833	-	-	1,569,833
Increase (decrease) in temporarily restricted net assets	(13,167)	-	-	(13,167)
Beginning net assets	7,849,421	1,362,719	-	9,212,140
Ending net assets	\$ 12,379,194	\$ 257,499	\$ -	\$ 12,636,693

Attachment 10

Litigation Documents

RSTN

Not applicable as no litigation has been brought against Rocketship Education, its affiliates, or any Rocketship schools.