

## MEMORANDUM

Staff Summary No. 12

**Date:** May 19, 2016

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Subject:** Consideration of Appeal Regarding the Charter School Facility Grant Program for Dr. Lewis Dolphin Stallworth Sr. Charter

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**Background:** The Charter School Facility Grant Program was transferred to the California School Finance Authority (Authority) in the Governor's 2013-14 Budget Bill. Once transferred, the Authority developed a set of regulations to guide the program, its applicants, and staff in reviewing applications for funding. Part of this rulemaking process included the addition of conflict of interest provisions to ensure no actual or perceived conflicts related to interests in organizational assets, including facilities, exist. At the time of adoption the fall of 2013, the regulations stated that the conflict of interest provision would take effect for the 2014-15 funding cycle.

Section 10170.14 of Program regulations sets forth the conflict of interest criteria that must be met to be considered for an award:

- Sections 10170.14(c)(1) and 10170.14(c)(2): Related Party abstains from voting, or participating in the discussion regarding approval of the lease and Program application submission;
- Section 10170.14(c)(3): Related Party discloses interest;
- Section 10170.14(c)(4): Related Party or Applicant must provide evidence that the lease payment is at or below market rate; and
- Section 10170.14(c)(5): The lease or rental agreement is not signed by the Related Party.

**Issue:** Dr. Lewis Dolphin Stallworth Sr. Charter School (CDS 39-686760-117853) (Stallworth) applied for funding through the Program to assist with costs for the school's facility located at 1610 E. Main St., Stockton, CA 95025. The facility is owned by Christ Temple Church and Stallworth leases the facility from Greater Christ Temple Church. Gayle Stallworth serves as the Administrator of Greater Christ Temple Church as well as the Executive Director of Stallworth. Based on Ms. Stallworth's roles, staff of the Authority reviewed the school's response to the Related Party questionnaire, the applicable lease, the listed school board members, the lessor's website, and other information provided by Stallworth.

- On March 26, 2015, the Authority advised Stallworth of its concerns regarding Stallworth's 2014-15 Program application compliance with the Program's conflict of interest provisions, specifically that, in addition to being Executive Director of Stallworth, Gayle Stallworth serves on the executive staff of the church that leases the facility to the school, and is considered a "Related Party" as defined by Program Regulations Section 10170.14(a)(3).

- On January 21, 2016, the Authority's legal counsel sent a letter to Stallworth concerning the school's 2014-15 Program ineligibility status due to the related party issue, and requested \$50,625 in 2014-15 Program funds be returned to the Authority.
- In February 2016, the Authority received an Appeal regarding the 2014-15 Program ineligibility determination. The documentation received did not assuage the Authority's related party concerns. As such, Stallworth's appeal was denied, and the school was notified of the decision in a letter dated March 8, 2016.
- On March 17, 2016 the Authority sent a letter concerning Stallworth's 2015-16 Program ineligibility status, indicating the continued Related Party issues.
- On April 9 2016, the Authority received a letter from Stallworth appealing the final decision regarding their ineligibility determination for 2014-15 Program funding, as well as the Authority's demand that Stallworth repay all funding received. This letter also included an appeal regarding the 2015-16 Program ineligibility determination made on the same basis as the 2014-15 determination. In the appeal, Stallworth contests the Authority's finding that Gayle Stallworth is a Related Party on the basis that she is not an Affiliate of Greater Christ Temple Church (Church) as defined by Program Regulations 10170.14(a)(1). The Church's website identifies Ms. Stallworth as the Administrator and Assistant Pastor. As a member of the Church's Executive Staff (Church Administrator and Assistant Pastor), she is an officer of the church and therefore, an affiliate.
- On April 10, 2016, Authority staff received an appeal from Stallworth requesting the school's appeal be considered by the Authority Board. Program Regulations Section 10170.10 sets forth the following appeal process, which was adhered to by the Authority and Stallworth:
  1. The Authority will provide notification of Applicant's eligibility determination.
  2. The school shall have 30 calendar days from receipt of the Authority's notice to request a reconsideration of eligibility.
  3. Authority staff shall have 30 calendar days to review Applicant's request for reconsideration and provide a final staff decision.
  4. The Applicant has 30 calendar days to appeal the final decision and request the matter be considered by the Authority Board at its next regularly scheduled meeting.

For the 2015-16 Program funding round, Stallworth has made efforts to satisfy the conditions set forth in Sections 10170.14(c) (1)-(5). The lease agreement for the 2015-16 year was amended, discussed, approved, and signed without the participation or presence of Troy Dockery, who is the Pastor of the church and board member of Stallworth, or Gayle Stallworth, or any other potentially Related Party or Affiliate. As a result, staff has notified Stallworth that the Related Party issue is no longer a bar to eligibility for the 2015-16 grant and no further consideration of their appeal for that year is necessary.

On May 4, 2016, the Authority received a check in the amount of \$50,625 from Stallworth for the 2014-15 funds, and as such, Stallworth is now in compliance with Program regulations to receive disbursements of their requested 2015-16 grant. However the school is still pursuing their appeal as it would like the 2014-15 funds back. Staff believes the appeal should be denied.

Program regulations define a Related Party to include “a Corporate Entity ... if a School Official ... is an Affiliate of the Corporate Entity.” (Section 10170.14(a)(3)(B).) Affiliate is defined as “a shareholder, partner, member, officer or board member of, or person who directly or indirectly controls, a Corporate Entity.” (Section 10174.14(a)(1).)

Stallworth argues that Gayle Stallworth does not control, directly or indirectly, the church that leases the facility to Stallworth. However, that argument is a misreading of the relevant provisions. “[D]irectly or indirectly controls” only modifies “person” in section 10174.14(a)(1). It does not modify “shareholder, partner, member, officer or board member.” The reason for this is that in most cases a shareholder, partner, member, officer or board member of a corporate entity, by their position alone, exerts some control over the entity.

To date, Stallworth has been unable to submit documentation establishing that Gayle Stallworth recused herself from participation in the decision to enter into the 2014-15 lease. Further, according to the lease documents on file with the Authority, Gayle Stallworth signed on behalf of the school as the tenant. Section 10170.14(c)(5) prohibits the lease from being signed by a Related Party.

**Recommendation:** Staff recommends that for the 2014-15 Program funding round, the Authority maintains staff’s finding of ineligibility.

**Attachments:** Stallworth appeal and supporting documents.



## CALIFORNIA SCHOOL FINANCE AUTHORITY

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Director of Finance

EXECUTIVE DIRECTOR  
Katrina M. Johantgen

January 21, 2016

Gayle Stallworth, Executive Director  
Dr. Lewis Dolphin Stallworth, Sr., Charter School  
1610 E. Main Street  
Stockton, CA 95205

RE: 2014-15 Charter School Facility Grant Program Application

Dear Ms. Stallworth:

On March 26, 2015, this office advised Dr. Lewis Dolphin Stallworth, Sr., Charter School (Stallworth) of concerns regarding whether Stallworth's application for the 2014-15 Charter School Facility Grant Program (Program) complied with Programs. (Letter attached.)

To briefly summarize, Program regulations require disclosure of related party transactions and that, where a related party transaction exists, certain steps be taken to ensure there are no conflicts of interest. At the time, we advised you that no additional funds would be disbursed pursuant to your 2014-15 application until our review of the matter was completed.

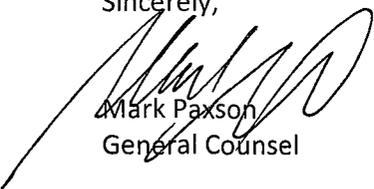
The purpose of this letter is to advise you that our review is now complete and we believe that the lease for which Program funds were sought was executed in violation of the related party requirements contained in the Program regulations. Therefore, no additional funds for the 2014-15 year will be disbursed. In addition, we are requesting that Stallworth return the funds that were previously disbursed for 2014-15, which our records show amounts to \$50,625.00.

Gayle Stallworth  
January 21, 2016  
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Please remit the funds via a check payable to the California School Finance Authority to the following address:

California School Finance Authority  
915 Capitol Mall, Suite 101  
Sacramento, CA 95814  
ATTN: Ian Davis

Sincerely,



Mark Paxson  
General Counsel

Enc.

cc: Katrina Johantgen  
Executive Director



## CALIFORNIA SCHOOL FINANCE AUTHORITY

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Director of Finance

EXECUTIVE DIRECTOR  
Katrina M. Johantgen

March 26, 2015

Gayle Stallworth, Executive Director  
Dr. Lewis Dolphin Stallworth, Sr., Charter School  
1610 E. Main Street  
Stockton, CA 95205

Dear Ms. Stallworth:

Section 10170.14 of the California School Facility Grant Program (CSFGP) regulations, which can be found at <http://treasurer.ca.gov/csfa/csfgp/regulations.pdf>, places certain requirements on applicants where the costs for which the charter school seeks reimbursement stem from a "related party" transaction.

To assist California School Finance Authority (CSFA) staff in identifying potential related party transactions and whether those transactions are in compliance with section 10170.14, the CSFGP application requires an applicant to identify the owner of the property covered by any relevant lease or rental agreements and to also indicate whether there is any relation between the property owner and the charter school, or any employee or officer of the charter school's governing board.

The CSFGP application for Dr. Lewis Dolphin Stallworth Sr. Charter School (Stallworth Charter School) indicated that the property owner was Christ Temple Church and that Pastor Dockery was both the Pastor/CEO of the church and a board member for Stallworth Charter School. The application further stated that Pastor Dockery did not participate in the "discussion regarding the rental of the church facility. Based on our review of your application and available information on the internet, we are concerned about the completeness of Stallworth Charter School's disclosure and Stallworth Charter School's eligibility for CSFGP.

Gayle Stallworth  
March 26, 2015  
Page 2

The lease provided with the application is between Christ Temple Church and Stallworth Charter School. The website for the church indicates that the church and charter school are very closely affiliated with each other. For instance, in the About section of the church's website, Dr. Stallworth is identified as a founder and subsequent Bishop of the church and his wife, Mary Stallworth, is also identified as playing a critical role with the church from its founding. The About section also includes the following statements connecting the church to Stallworth Charter School:

After celebrating many milestones both spiritually and socially one of Bishop's final desires was to see the Charter School approved. On May 13, 2008, the Stockton Unified School District was presented a proposal for the Dr. Lewis Dolphin Stallworth, Sr. Charter Schools, Inc."

With his vision and the Spirit God instilled within us, we will forge ahead by faith and build the Greater Christ Temple under the leadership of District Elder Troy D. Dockery, Sr., and the Dr. Lewis Dolphin Stallworth, Sr., Charter Schools, Inc. Within the next 2 ½ years Greater Christ Temple envisions a sanctuary, worship facility and education facility that can accommodate the growing community of the City of Stockton and surrounding areas.

Finally, the church's website identifies Mary M. Stallworth as the President-Elect of the church's Board of Directors; Gayle Stallworth as the Church Administrator and Assistant Pastor; and Loria Marble-Stallworth as the Chief Financial Officer. The website for Stallworth Charter School indicates that Alice Stallworth is the school's Administrative Dean, and Gayle Stallworth as the school's Executive Director, and that Troy Dockery, the Pastor for the Church, was and remains the President of the charter school's Board of Directors.

Based on the foregoing, please provide CSFA with the following information no later than April 15, 2015:

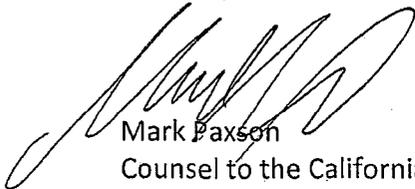
1. The names of all board members, and executive and management level employees of Stallworth Charter School.
2. With respect to each individual covered by #1, please provide their name and position with the school.
3. With respect to each individual covered by #1, please indicate whether they, or their spouse, domestic partner, or dependent child hold any position with the Christ Temple Church or Greater Christ Temple and, if so, what that position is.
4. With respect to any individual, including Pastor Dockery, who holds a position with the school and with Christ Temple Church or Greater Christ Temple, or whose spouse, domestic partner, or dependent child does, please provide documentation that establishes the following:

Gayle Stallworth  
March 26, 2015  
Page 3

- a. That the individual disclosed their interest to the Stallworth Charter School governing board;
- b. That the individual properly recused himself or herself from any participation in the decision to enter into the relevant lease and also to apply for CSFGP to obtain reimbursement for costs associated with the relevant lease; and
- c. That the Stallworth Charter School governing board, in approving the relevant lease, either (1) made a finding that the lease was reasonable under the circumstances; or (2) established that the lease was at or below market rate.

No CSFGP funds will be disbursed to Stallworth Charter School unless the information required above is provided to CSFA and CSFA can establish that the charter school has complied with CSFGP regulations. As noted above, CSFA requires a response to this letter with the requested information by April 15, 2015. Failure to respond or provide the requested information by that date may result in Stallworth Charter School being deemed ineligible for 2014-15 and CSFA may pursue any available legal remedy to obtain reimbursement of CSFGP funds disbursed in connection any lease transaction that does not comply with CSFGP regulations.

Sincerely,



Mark Paxson  
Counsel to the California School Finance Authority

cc: Katrina Johantgen, Executive Director  
California School Finance Authority

# Dr. Lewis Dolphin Stallworth Sr. Charter School, Inc.



April 6, 2016

Via: U.S. Mail and Email

Mark Paxson, Esq.  
General Counsel  
California School Finance Authority  
915 Capitol Mall, Suite 101  
Sacramento, California 95814

***Re: Dr. Lewis Dolphin Stallworth, Sr., Charter School  
Letter in Support of Appeal of CSFA's Eligibility Determination to CSFA  
Board  
California School Facilities Grant Program***

Dear Mr. Paxson:

As provided in our letter dated February 3, 2016, Dr. Lewis Dolphin Stallworth, Sr., Charter School ("Stallworth") wishes to appeal the final decision by the California School Finance Authority ("CSFA") regarding Stallworth's alleged ineligibility for California School Facilities Grant Program ("CSFGP") funding dollars for the 2014-15 year, as well as CSFA's demand that Stallworth repay all CSFGP monies received by Stallworth for 2014-15. Stallworth also requests that the CSFA review Stallworth's submission for CSFGP funding dollars for the 2015-16 year, as such submission has met the requirements of law and regulation.

Stallworth is in receipt of CSFA's letters of March 8, 2016 and March 17, 2016, which allege that Stallworth is ineligible for CSFGP funding dollars for the 2014-15 and 2015-16 years based on the determination that Gayle Stallworth is a "Related Party" as defined in Title 4, California Code of Regulations Section 10170.14(a)(3), and that, as a result of Ms. Stallworth's attendance at the July 31, 2014 Stallworth Board Meeting and signature on the lease agreement for the 2014-15 year, Stallworth failed to follow all conditions necessary for qualification of a related party lease.

Stallworth contests such determination and humbly requests the CSFA accept Stallworth's appeal and rescind their determination of ineligibility for the 2014-15 year. Stallworth requests the CSFA consider the following:

- 1) While Gayle Stallworth is a Board member of the Greater Christ Temple Church (the "Church"), she does not perform the traditional functions of an "Affiliate" as that term is defined in Title 4 Code of California Regulations section 10170.14(a)(1), as she does not "directly or indirectly control[]" the Church. The regulations under section 10170.14(c) require that the School Officials who participate in the discussion or vote on the lease, and who sign the lease, not be an "Affiliate" of the lessor, utilizing the defined term in subsection (a)(1). While Mrs. Stallworth does serve as member of the Church Board, and as an administrator of the Church, such positions, in and of themselves, do not provide any direct or indirect control of the Church. (*see* Exhibit A.) Church Board membership status does not convey the authority to direct the operations of the Church by the individual, and does not provide the holder of the office the power or authority of control inherent to the other positions defined as an "Affiliate" in section (a)(1). The administrator position is clerical only, and again does not provide the holder of that office the power or control inherent in the positions defined as an "Affiliate" in section (a)(1). (*see* Exhibit A.) Utilizing the common-law statutory interpretation theory of *Ejusdem Generis*, where when the listing of specific classes is made in statute or regulation, it is assumed that the statute or regulation only refers to the same kind of class – in this instance, positions that exercise authority to direct the operations of the lessor – and not those outside of that class (e.g., non-voting members, clerical staff, and other positions not having authority to direct the operations of the lessor.) Given that Mrs. Stallworth does not exercise the same kind of control or authority in her positions as those enumerated in subsection (a)(1), she cannot be considered an "Affiliate", and thus her presence at the July 31, 2014 Board meeting and her signing the lease are not violative of the requirements if subsection (c). As a result, and combined with the information provided in Stallworth's correspondence last year, Stallworth did in fact meet the requirements of subsection (c), and thus was and is eligible for CSFA funding for both the 2014-15 and 2015-16 years.
- 2) The Church's Board was not presented and did not vote on the lease for the 2014-15 and 2015-16 years. The Church's Board had voted on the initial proposition to lease the facility to the School for the time-being when the School was initially approved; however the terms of such lease have almost exclusively been determined by the School. As the lease terms were not dictated by the Church's Board, but were instead primarily provided by the School, the likelihood of impermissible private benefit is extremely low. In essence, the Church operated similarly to those organizations that exist for the support of charter schools, which are clearly related parties, but who are authorized to provide qualifying leases under the regulations due to the very low likelihood of private benefit. (4 CCR 10170.14(a)(3)(C).) In those instances, the CSFA allows a "conflict-of-interest" and related party transaction, as the balance of the evidence provides the CSFA with a clear picture that no private body is unduly benefitting from the transaction and that the terms and pricing are the best value to the School; ensuring that the funds provided support students. In this instance, the intent of the exception for affiliate entities should also be applied due to the practical effect of each situation being the same. The School has achieved the best value rental

- it could receive at the time, and should not be denied funds or otherwise be penalized due to what amount to clerical errors.
- 3) Gayle Stallworth's presence at the July 31, 2014 Board meeting and signature on the 2014-15 lease agreement was not an issue raised by CSFA in their review and request for further documentation regarding the award. Had Stallworth been aware of this issue, Stallworth may have been able to provide information at the time or make other organizational changes to further evidence the appropriateness of the award of funds. Because the CSFA did not identify Mrs. Stallworth's presence and signature as an issue, and only now brings such issue to light after Stallworth had rebutted CSFA's concerns, causing undue prejudice and harm in Stallworth's appeal, the common-law defense of laches should apply. Given such, Stallworth requests that the CSFA apply such doctrine and rescind its determination of ineligibility for CSFA funds for the 2014-15 and 2015-16 year.
  - 4) The lease agreement for the 2015-16 year was amended, discussed, approved and signed without the participation or presence of Mr. Troy Dockery or Mrs. Stallworth, or any other potentially Related Party or Affiliate. (*see* Exhibit B.) As such, Stallworth has met the requirements for approval of a related party lease under subsection (c).
  - 5) Stallworth, as a small charter-school to whom the authorizing district refuses to grant Proposition 39 facilities, was operating under exigent circumstances where the related party lease was simply the best and least expensive facility that could be utilized. (*see* Exhibit A.) The lease agreement provided excellent terms that Stallworth could not have achieved with any open-market properties, provided the ability to seek repairs and other maintenance quickly and without legal conflict, and allowed Stallworth to continue operations as it seeks a permanent facility. The determination that Stallworth is now ineligible for CSFA funds will cause substantial and material harm to the charter school, with the potential to force its closure. Surely the intention of the regulations was not to harm schools that are being refused their rightful facilities under the law and who are required to instead find and utilize alternative facilities. The lease agreement was found to be below-market rate and to provide the best facility location for the best price for the time being. The members of the Stallworth Board were aware of the potential interests of Mr. Troy Dockery (who followed all requirements of subsection (c)), and Mrs. Stallworth (even though such interest was the same as other members of the general Church population, and did not meet the standard of an "Affiliate"); yet determined that the lease was the most appropriate in the circumstances. CSFA, according to your correspondence, is thus revoking all CSFA funds on the basis of the allegation of minor inadvertent mistakes, which were not at all intended to deprive the public of any funds nor cause any harm to Stallworth. In fact, the actions of the Stallworth Board were intended solely to benefit the public and the School, to ensure a high-quality educational program remained operational. We humbly request the CSFA take such into consideration and

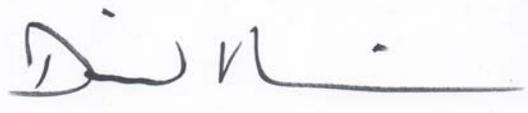
rescind the findings of ineligibility for the 2014-15 and 2015-16 years on the basis of equity.

Lastly, the lease used by CSFA to determine Stallworth's ineligibility for 2015-2016 school year appears to have been the lease for the 2014-2015 school year. However, Stallworth has not submitted a lease for CSFA's review for its 2015-2016 application, and in fact the Stallworth Board just approved the 2015-2016 lease at its last Board meeting (see attached); neither Ms. Stallworth nor Pastor Dockery participated in that discussion or the discussion regarding the SB 740 application, Ms. Stallworth did not sign the lease on behalf of either party, and the Board made a specific finding that the rent to be paid under the lease is reasonable under the circumstances. Stallworth has attached draft minutes to this letter, and will provide final Board minutes to this effect after its next meeting. As a result, Stallworth believes it is eligible for SB 740 reimbursements for the 2015-2016 school year.

Stallworth and its parents, students and other stakeholders are grateful for the opportunity presented by the CSFA funds; they greatly assist charter schools to succeed in an environment where they must lease facilities (an issue that no traditional public school generally must deal with.) We sincerely hope that you consider Stallworth's positions above, as well as the attached Exhibits, and come to the determination that Stallworth is in fact eligible for CSFA funds for the 2014-15 and 2015-16 years.

Please do not hesitate to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Ramirez", written over a light blue rectangular background.

[Daniel Ramirez]  
Dr. Lewis Dolphin Stallworth, Sr., Charter School



## CALIFORNIA SCHOOL FINANCE AUTHORITY

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Director of Finance

EXECUTIVE DIRECTOR  
Katrina M. Johantgen

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March 8, 2016

Gayle Stallworth, Executive Director  
Dr. Lewis Dolphin Stallworth Sr. Charter  
1610 E. Main Street  
Stockton, CA 95205

RE: Charter School Facility Grant Program

Ms. Stallworth,

As you are aware, the California School Finance Authority (CSFA) has been working with Dr. Lewis Dolphin Stallworth Sr. Charter (CDS# 39686760117853) (Stallworth Sr. Charter) in an effort to establish that the school has complied with all Charter School Facility Grant Program (SB740 Program) regulations concerning conflicts of interest and specifically "related parties" transactions.

We appreciate your responsiveness to these efforts and recognize your attempts to comply with program regulations. As noted in the letter sent to Stallworth Sr. Charter on March 26, 2015, Gayle Stallworth is the Church Administrator and Executive Director of the charter and is a Related Party as defined by Program Regulations Section 10170.14(a)(3). According to the lease documents on file with the CSFA, Gayle Stallworth signed on behalf of the school as the tenant. SB740 Program regulations Section 10170.14(c) states SB740 Program funds may not be used to pay for any lease with a Related Party, unless all of the following conditions are satisfied. Section 10170.14(c)(5) prohibits the lease from being signed by a Related Party.

According to the June 30, 2014 Board minutes, Gayle Stallworth was in attendance throughout the meeting at which the lease was approved. Even if the related party is a non-voting member, this was not an effective recusal as required by SB740 Regulations 10170.14(c)(2). Unfortunately, Stallworth Sr. Charter has been unable to submit documentation establishing that Gayle Stallworth recused herself from participation in the decision to enter into the relevant lease.

Based on the factors discussed above, program regulations require CSFA to find Stallworth Sr. Charter ineligible for an award of grant funds under the 2014-15 funding round. Education Code Section 47614.5(d)(3) requires the charter school to reimburse grant funds already disbursed to the grantee. Once CSFA notifies the school of the change in its eligibility, the charter school is required to return the funds within 60 days.

Stallworth Sr. Charter has until May 9, 2016 to return the 2014-15 program funds. Absent a return of the funds, CSFA will pursue all available remedies to obtain reimbursement from Stallworth Sr. Charter. Please mail a check payable to CSFA in the amount of \$50,625.00 to the following address:

California School Finance Authority  
915 Capital Mall, Suite 101  
Sacramento CA, 95814  
ATTN: Ian Davis

Pursuant to SB740 Program Regulations Section 10170.10(d) the applicant may appeal the matter to CSFA Board, by submitting a letter of appeal within 30 calendar days of this notice to the above address. Should you have any questions or need additional information, please feel free to contact Ian Davis or Anne Osborne at (916) 651-7710.

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Sincerely,



Katrina Johantgen

# Dr. Lewis Dolphin Stallworth Sr. Charter School, Inc.



February 3, 2016

Via: U.S. Mail and Email

Mark Paxson, Esq.  
General Counsel  
California School Finance Authority  
915 Capitol Mall, Suite 101  
Sacramento, California 95814

***Re: Dr. Lewis Dolphin Stallworth, Sr., Charter School  
Notice of Appeal of CSFA's Eligibility Determination to CSFA Board  
California School Facilities Grant Program***

Dear Mr. Paxson:

Pursuant to Title 4, California Code of Regulations Section 10170.10(d), this letter serves as notice to the California School Finance Authority ("CSFA") that Dr. Lewis Dolphin Stallworth, Sr., Charter School ("Stallworth") wishes to appeal the final decision by CSFA staff regarding Stallworth's alleged ineligibility for California School Facilities Grant Program ("CSFGP") funding dollars for the 2014-15 year, as well as CSFA's demand that Stallworth repay all CSFGP monies received by Stallworth for 2014-15.

CSFA's March 26, 2015 letter to Stallworth states that CSFA is "concerned about the completeness of Stallworth Charter School's disclosure [regarding related party transactions] and Stallworth Charter School's eligibility for CSFGP" and that "no funds would be disbursed to Stallworth Charter School unless the information required . . . is provided to CSFA and CSFA can establish that the charter school has complied with the CSFGP regulations." A copy of CSFA's March 26, 2015 letter to Stallworth is attached hereto as Exhibit A.

On April 21, 2015, Stallworth sent a letter to CSFA wherein it responded to CSFA's concerns regarding allegedly impermissible related party transactions by Stallworth and provided CSFA with the information necessary for CSFA to establish that Stallworth complied with the CSFGP regulations. A copy of Stallworth's April 21, 2015 letter to CSFA is attached hereto as Exhibit B.

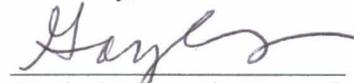
*Mark Paxson, Esq., Office of the State Treasurer  
Re: Dr. Lewis Dolphin Stallworth, Sr., Charter School  
Notice of Appeal of CSFA's Eligibility Determination to CSFA Board  
Page 2 of 2*

On January 21, 2016, CSFA issued its final staff decision which reaffirmed its March 26, 2015 determination that Stallworth is ineligible for CSFGP funding dollars for the 2014-15 year. A copy of CSFA's final staff decision is attached hereto as Exhibit C.

Stallworth hereby appeals this determination to the CSFA Board.

Please do not hesitate to contact me should you have any questions.

Sincerely,



Gayle Stallworth, Executive Director  
Dr. Lewis Dolphin Stallworth, Sr., Charter  
School

1 **DECLARATION OF GAYLE STALLWORTH**

2 I, Gayle Stallworth, declare and state as follows:

3 1. I have been employed by Dr. Lewis Dolphin Stallworth Sr. Charter School  
4 (“Stallworth” or “School”) as Executive Director since 2008. I am personally familiar with the  
5 facts set forth herein, and, if called upon to do so, I could competently testify thereto. I make this  
6 declaration in support of the Charter School Facilities Grant Program application of the School.

7 2. Stallworth operates as an independent, stand-alone non-profit corporation in  
8 compliance with California Education Code section 47605, and was authorized by Stockton  
9 Unified School District (“SUSD”) in June of 2008. Stallworth has operated at its current site, the  
10 Greater Christ Temple Church (“Church”), since beginning operations. However, the Board of  
11 Directors of Stallworth (the “Board”) has consistently considered and attempted to relocate to  
12 other facilities. The School’s authorizer, Stockton Unified School District (“SUSD”), has refused  
13 to allow such relocation in each instance and refuses to provide substantially rent-free facilities as  
14 required under California’s Proposition 39. This has created an exigent situation where the  
15 School has been effectively forced to maintain its current location at the Church, given the  
16 intransience of SUSD.

17 3. The Church has maintained the same form of rental agreement and rental rate with  
18 the School since it was organized, with each lease term for a single year, which, as I understand,  
19 is designed to allow the School to search for additional or replacement facilities. The terms of the  
20 lease have consistently been the best and least expensive for the School under the circumstances.  
21 The rental agreement has only been voted on by the Church’s Board during the initial leasing  
22 periods, with the intent that the School would be supported until it was able to find adequate  
23 facilities outside of the Church and that no impermissible private benefit occur.

24 4. As part of my personal religious beliefs and on account of the work of my  
25 deceased father, I serve as member of the Church’s Board of Directors, which position, in and of  
26 itself, does not convey authority to directly or indirectly control the activities of the Church. Only  
27 the Church’s Board of Directors as a whole are vested with the authority to direct or control the  
28

1 operations of the Church. I do not receive any personal compensation from the Church and hold  
2 no financial interest in the Church's operation as a result of my being a member of the Board.

3 5. In addition to serving as a member of the Church's Board of Directors, I am  
4 employed as a church administrator, which is a clerical position wherein I perform routine  
5 documentation and administrative tasks. This position is not vested with authority to directly or  
6 indirectly control the operations of the Church, nor to exercise the authority of an officer or other  
7 "management" type position. I receive an immaterial amount of compensation for this service, of  
8 the type that would be provided to any other individual completing such clerical tasks for their  
9 local church. I do not have any financial interest in the property leased and utilized by the  
10 School; such property is owned and held by the Church and all material financial decisions  
11 regarding such property, including leasing, are made by the voting members of Church's Board of  
12 Directors.

13 6. It is my belief that all members of the School's Board of Directors were and are  
14 aware of my relationship and positions with the Church prior to or during the July 31, 2014  
15 meeting where the 2014-15 lease was approved.

16 7. It is my belief that the loss of the CSFA funds will result in tremendous financial  
17 hardship for the School and may, should other funding be unavailable, lead to a closure of the  
18 School. The closure of the School would result in 248 of students forced out of their school of  
19 choice.

20 I declare under penalty of perjury under the laws of the State of California that the  
21 foregoing is true and correct.

22 Executed this April 6, 2016, in Stockton, California.

23  
24 By: \_\_\_\_\_

25  
26  
27  
28  
Gayle Stallworth

**DECLARATION OF JOHNNY FORD**

I, Johnny Ford, declare and state as follows:

1. I am a Board member of Dr. Lewis Dolphin Stallworth Sr. Charter School (“Stallworth” or “School”) and have been since August 2008. I am personally familiar with the facts set forth herein, and, if called upon to do so, I could competently testify thereto. I make this declaration in support of the Charter School Facilities Grant Program application of the School.

2. Stallworth operates as an independent, stand-alone non-profit corporation in compliance with California Education Code section 47605, and was authorized by Stockton Unified School District (“SUSD”) on June 2008. Stallworth originally proposed to operate at its current site, the Greater Christ Temple Church (“Church”) and has done so since beginning operations.

3. During my time on the Board of Directors of Stallworth (the “Board”), Stallworth has continuously sought out the best facilities to operate its charter school program. The Board has considered and attempted to relocate to several different potential locations, none of which have been approved by SUSD as of yet. As part of these efforts the Board regularly reviewed market comparisons for facilities prepared by the School’s back office provider, Delta Managed Solutions. These comparisons showed that the cost of the current lease agreement with the Church was very reasonable as compared to other facilities.

4. The Church has maintained the same form of rental agreement and rental rate with the School since it was organized, with each lease term for a single year, which is designed to allow the School to search for additional or replacement facilities.

5. Troy Dockery, Sr. serves as Pastor of the Church, as well as President of the School’s Board. Gayle Stallworth serves as a member of the Church’s Board and as a clerical administrator for the Church, as well as the Executive Director of the School. No other members of the Board or executive or management employees of the School have a fiduciary relationship within the Church and the School.

6. I was present for the entirety of the July 31, 2014 Board meeting for the School.

7. On July 31, 2014, the Board met for a regularly scheduled Board meeting. On the agenda for that Board meeting was the approval of the School’s general budget, which included a

1 line item to enter into a lease to continue rental of the facility at the Church at the same rate and  
2 terms as the previous year.

3 8. During the July 31, 2014 meeting, but before any discussion of the budget, Troy  
4 Dockery, Sr., disclosed his relationship as Pastor and Chief Executive Officer of the Church to all  
5 present.

6 9. During the July 31, 2014 meeting, but before any discussion of the budget, Gayle  
7 Stallworth also disclosed her position as an administrator at the Church to all present. I believe  
8 that all members of the School's Board were also aware of Gayle Stallworth's position as member  
9 of the Church's Board at, or prior to, this time.

10 10. During the July 31, 2014 meeting, neither Gayle Stallworth nor Troy Dockery, Sr.  
11 did not engage in discussion regarding the proposed lease agreement with the Church, the  
12 facilities portion of the budget, or the decision whether to apply for reimbursement under the  
13 Charter School Facility Grant Program ("CSFGP").

14 11. During the July 31, 2014 meeting, Troy Dockery, Sr. did participate in discussion  
15 regarding other items of the budget relating to transportation, teacher hiring, and materials. He  
16 also participated in discussion regarding enrollment and test scores, as well as the collection of  
17 student data.

18 12. It is the duty of the Board President to conduct all meetings of the Board and to  
19 sign all documents that require the signature of the Board President. As Troy Dockery, Sr. did not  
20 participate in discussion regarding the proposed lease agreement with the Church, the facilities  
21 portion of the budget, or the desire to apply for reimbursement under the CSFGP, but did  
22 participate in other discussion items related to the budget, the Board believed it was appropriate  
23 for Troy Dockery, Sr. to make a motion to the adopt budget as a whole.

24 13. Troy Dockery, Sr. did make the motion to approve the entire budget, which was  
25 duly seconded and subsequently approved by the Board. However, neither Gayle Stallworth nor  
26 Troy Dockery, Sr. made any motion or participated in any discussion of a motion related  
27 specifically to the proposed lease agreement with the Church or the determination to apply for the  
28 CSFGP.

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14. As Troy Dockery, Sr. did not participate in the discussion of the proposed lease agreement with the Church and the application for CSFGP, but is the appointed President of the Board, the School believed it appropriate and required, for Mr. Dockery to sign the CSFGP application where the application requires the signature of the President of the Board.

15. Troy Dockery, Sr. does not engage in any administration of funds of the School, including the administration of CSFGP funds.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 17<sup>th</sup> day of April, 2015, in Stockton, California.

By: Johnny Ford  
Johnny Ford



## CALIFORNIA SCHOOL FINANCE AUTHORITY

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915 Capitol Mall, Suite 101  
Sacramento, CA 95814  
p (916) 651-7710  
f (916) 651-7709

300 S. Spring St. Suite 8500  
Los Angeles, CA 90013  
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CSFA@treasurer.ca.gov  
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### MEMBERS

JOHN CHIANG, CHAIRMAN  
State Treasurer

TOM TORLAKSON  
State Superintendent of  
Public Instruction

MICHAEL COHEN  
Director of Finance

EXECUTIVE DIRECTOR  
Katrina M. Johantgen

March 17, 2016

Gayle Stallworth, Executive Director  
Dr. Lewis Dolphin Stallworth Sr. Charter  
1610 E. Main Street  
Stockton, CA 95205

RE: 2015-16 SB740 Program Eligibility Determination

Ms. Stallworth,

As you are aware, the California School Finance Authority (CSFA) has been working with Dr. Lewis Dolphin Stallworth Sr. Charter (CDS 39686760117853) (Stallworth Sr. Charter) in an effort to establish that the school has complied with all Charter School Facility Grant Program (SB740 Program) regulations concerning conflicts of interest and specifically "related parties" transactions.

We appreciate your responsiveness to these efforts, and recognize your attempts to comply with program regulations. As you are aware, as Gayle Stallworth is the Church Administrator and Executive Director of the charter, she is a "Related Party" as defined by Program Regulations Section 10170.14(a)(3). SB740 Program regulations Section 10170.14(c) states SB740 Program funds may not be used to pay for any lease with a Related Party, unless all of the following conditions listed below are satisfied:

- 10170.14(c)(1)(2) Abstains from voting, or participating in the discussion regarding approval of the lease and SB740 Application submission.
- 10170.14(c)(3) Related Party discloses interest.
- 10170.14(c)(4) Must provide evidence that the lease payment is at or below market rate.
- 10170.14(c)(5) The lease or rental agreement is not signed by the Related Party.

According to the lease documents on file with CSFA, Gayle Stallworth signed on behalf of the school as the tenant. As stated above, Section 10170.14(c)(5) prohibits the lease from being signed by a Related Party.

According to the June 30, 2014 Board minutes, Gayle Stallworth was in attendance throughout the meeting at which the lease was approved. Even if Gayle Stallworth is a non-voting member, SB740 Regulations 10170.14(c)(2) requires her to recuse herself from any board meeting discussing the lease or decision to apply for the SB740 Program. Unfortunately, Stallworth Sr. Charter has been unable to submit documentation establishing that Gayle Stallworth recused herself from participation in the decision to enter into the relevant lease. Based on the factors

discussed above, program regulations require CSFA to find Stallworth Sr. Charter ineligible for an award of grant funds under the 2015-16 SB740 funding round. Pursuant to Program Regulations Section 10170.10(b), the applicant may appeal staff's determination, by submitting a letter of appeal within 30 calendar days of this notice to the above address.

We strongly encourage you to bring the lease back to the Stallworth Sr. Charter Board for re-approval in Ms. Stallworth and Troy Dockery absence, and apply for the 2016-17 funding round under the new lease. Further neither party may sign the lease or the SB740 Application. Should you have any questions or need additional information, please feel free to contact Ian Davis or Anne Osborne at (916) 651-7710.

Sincerely,



A handwritten signature in blue ink, appearing to read 'Katrina Johantgen', is written over a horizontal blue line.

Katrina Johantgen



**DR. LEWIS DOLPHIN STALLWORTH SENIOR CHARTER SCHOOL**

**SPECIAL MEETING  
AGENDA OF THE GOVERNING BOARD**

Main Location:  
1610 East Main Street, Stockton, California 95205

Teleconference Location:  
1075 Barton Drive, Ann Arbor, MI 48105  
14134 Chantilly Ct. Lathrop, CA 95330  
8800 Thornton Road, Stockton, 95210  
4611 Spyglass Drive, Stockton, CA 95219

**Thursday, March 25, 2016 – 12:00 P.M.**

Conference Call: (832)551-5900 Participant Access Code: 358507#

**I. PRELIMINARY**

a. **CALL TO ORDER**

b. **ROLL CALL**

	<b>Present</b>	<b>Absent</b>
Dr. Daniel Ramirez	_____	_____
Dr. Troy Dockery	_____	_____
Mr. Johnny Ford	_____	_____
Ms. Dorothy Ware-Mitchell	_____	_____
Dr. Wanda Davis	_____	_____
Ms. Gail Moore	_____	_____

c. **APPROVAL OF AGENDA**

d. **APPROVAL OF PREVIOUS MINUTES**

**II. COMMUNICATIONS**

a. Open Public Comment: Non-agenda items: no individual presentation shall be more than three (3) minutes and the total time for this purpose shall not exceed fifteen (15) minutes. Ordinarily, Board members will not respond to presentations and no action can be taken. However, the Board may give direction to staff following a presentation.

**III. NEW BUSINESS**

III.a.i. *Approval of Facility for 1610 East Main Street-Stockton, CA 95205 2015-2016*

b. ITEMS SCHEDULED FOR INFORMATION / ACTION/APPROVAL

IV. **FUTURE AGENDA ITEMS**

a. Open for discussion

V. **CLOSED SESSION**

Consider of Student Expulsion, Case No.

VI. **PUBLIC SESSION**

RECONVENE TO OPEN SESSION: The meeting was reconvened to open session at \_\_\_\_\_.

**PUBLIC REPORT ON ACTION TAKEN IN CLOSED SESSION** (includes the vote or abstention of every member present).

VII. **ADJOURNMENT**

The meeting was adjourned at \_\_\_\_\_.



## DR. LEWIS DOLPHIN STALLWORTH SENIOR CHARTER SCHOOL

### **SPECIAL MEETING** **AGENDA OF THE GOVERNING BOARD**

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8800 Thornton Road, Stockton, 95210  
4611 Spyglass Drive, Stockton, CA 95219

**Thursday, March 25, 2016 – 12:00 P.M.**

Conference Call: (832)551-5900 Participant Access Code: 358507#

The Governing Board of Dr. Lewis D. Stallworth, Sr. Charter School was Called to Order at 12:14 p.m. The President, Daniel Ramirez ask the secretary for roll call. Dr. Daniel Ramirez, Present; Dr. Troy Dockery, absent; Mr. Johnny Ford, present; Ms. Dorothy Ware-Mitchell, present; Dr. Wanda Davis, present; Ms. Gail Moore, present. The President asked that the agenda be approved, so moved, Mr. Ford; seconded, Ms. Moore. The minutes from the previous meeting will be available at the next meeting.

There was no one present for Open Public Comments. The President then moved to the New Business. He noted that Dr. Troy Dockery and Ms. Gayle Stallworth are absent from today's meeting, and noted that prior to the meeting, Dr. Troy Dockery disclosed to members of the Board that he is the pastor of Greater Christ Temple and on the Church Board, and Ms. Stallworth disclosed to members of the Board that she is a Board member of Greater Christ Temple as well as a clerical administrator at the Church. The President informed the Board that we are filing for an appeal on the 2015-2016 School Year Facility Lease, 1610 East Main Street – Stockton, CA. 95205, following the advice of our attorneys.

After a short discussion regarding the information from the attorneys that Board Members who are officers of Greater Christ Temple should be recused from all voting and discussion of the Facility Lease and SB 740 application, and confirmation that both Dr. Dockery and Ms. Stallworth were not present for the meeting and therefore were not voting, and have not participated in any discussions of the Board regarding approval of the Lease or regarding the decision to apply for a grant to cover costs associated with the lease or rental agreement, and have abstained from participating in the Application for grant funds or administration of Stallworth's receipt of grant funds, the President noted that today the Board was taking action to approve and then submit the Lease Agreement for the 2015-2016 school year. Dr. Ramirez suggested that the language of the Lease be changed to read as follows:

Page 1, Paragraph 3 – The least term **began** on July 01, 2015 and will terminate on June 30, 2016.

Page 5, Signature by Tenant – To be signed by Treasure: Johnny Ford, dated today, **March 25, 2016**.

Prior to the action to approve the Lease, the Board discussed and agreed that the rent paid and to be paid under the lease is reasonable under the circumstances, as the rent amount is below market value according to Delta Managed Solutions, and has not increased since the Lease began with Greater Christ Temple. Lastly, Ms. Moore added that the rental property (school) is separate from the property (church) as we are getting a bargain with the play area, kitchen, computer lab, and more.

The motion was then made to approve the Facility Lease for 1610 East Main Street, Stockton CA. 95205, so moved, Mr. Ford; seconded, Ms. Davis. The President then called for the vote:

Dr. Daniel Ramirez - yes  
Dr. Troy Dockery - absent  
Mr. Johnny Ford - yes  
Ms. Dorothy Ware-Mitchell - yes  
Dr. Wanda Davis - yes  
Ms. Gail Moore - yes

The motion was approved with a vote 5 – yes and zero no votes. So carried. The signed document will be sent CSFA. Dr. Ramirez again noted that Dr. Troy Dockery and Gayle Stallworth are not present at today's meeting.

Dr. Ramirez asked how the Board would feel about a day long retreat this summer to go over governance and regulations. The Board replied yes. Dr. Ramirez will talk to attorney's office to get all information and possible dates to have this meeting.

Future agenda items will be emailed to each Board Member. There were no closed sessions for Student Expulsions. There were no public sessions or actions to be reported. The President made a motion that the meeting be adjourned at 12:33 pm, so moved Ms. Moore; seconded, Mr. Ford.