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To: Governing Board of the Electronic Classroom of Tomorrow
c/o Andrew Brush, Governing Authority President
3700 South High Street
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January 19, 2018

**NOTICE OF SUSPENSION OF OPERATION OF COMMUNITY SCHOOL
PURSUANT TO OHIO REVISED CODE SECTION 3314.072**

Pursuant to R.C. 3314.02 on July 1, 2010 the Educational Service Center of Lake Erie West (“ESCLEW”) and Electronic Classroom of Tomorrow (“ECOT”) entered into an agreement setting forth the terms and conditions under which ESCLEW would sponsor ECOT, and that agreement has been amended and modified by the parties seven times (collectively “the Agreement”).

In its oversight of the School under R.C. Chapter 3314, OAC 3301-102 and the Agreement, the Governing Board of the ESCLEW on January 10, 2018 gave ECOT notice of its intent to suspend operation of the Agreement.

ECOT on January 17, 2018 timely submitted a response to ESCLEW’s notice and a proposed remedy. ESCLEW has reviewed and considered ECOT’s proposed remedy. ECOT satisfactorily addressed or remedied the lack of a Treasurer’s bond. Because ECOT’s remedy did not remedy the remaining cited reasons, ESCLEW gives notice that that ECOT’s operations are immediately suspended for the following reasons:

1. ECOT has failed to meet generally accepted standards of fiscal management. Specifically:
 - a. The Ohio Department of Education (“ODE”) determined the ECOT must repay to ODE close \$80 million in funding from Fiscal Years 2016 and FY 2017. ODE has implemented a two-year repayment schedule for FY 16 and is withholding approximately 2.5 million per month from ECOT’s funding for FY 18 and FY 19. ECOT has challenged ODE’s actions and ECOT’s appeal regarding FY 16 is pending before the Ohio Supreme Court. ECOT requested an injunction staying the repayment obligation pending a decision on the merits of ECOT’s appeal. The Ohio Supreme Court has denied ECOT’s request for a stay or injunction. ECOT has appealed ODE’s

- b. findings regarding FY17 funding. If the ODE's findings are upheld, additional monies will be withheld for repayment of a portion of FY 17 funding. ODE is also withholding from ECOT 18.5% of FY18 funding.
- c. ESCLEW asked ECOT on October 30, 2017 to submit to ESCLEW, in accordance with the Agreement, a remedial plan to address the financial difficulties resulting from the ODE reduction in funding and repayment schedule. In response, ECOT proposed to implement significant cuts in spending. But ECOT represented that even with significant spending cuts, "including the reduction of more than 200 additional jobs," "ECOT projects that it will have a negative, month-end cash balance by as soon as March, 2018."
- d. ECOT has represented in writing to ESCLEW and to the Ohio Supreme Court that as a result of reductions in funding from and repayment obligations imposed by the ODE, ECOT is in "an unsustainable financial position."
- e. ECOT has attempted to negotiate with ODE a different repayment schedule which would allow it to continue operations with current students. ECOT submitted a new proposal to ODE on January 17, 2018 that would allow it to stay open through June, 2018. But ODE has declined to agree to any reduced or different repayment schedule, leaving ECOT without sufficient funds to continue operations for the remainder of the 2017-18 school year.
- f. ECOT has reduced its expenses and has proposed additional reductions. But even with further reductions, ECOT's proposed remedial plan is insufficient to insure that ECOT can meet its financial obligations on an ongoing basis or carry out its financial plan in accordance with the Agreement. ECOT's proposed remedial plan is insufficient to insure that it can maintain reserves required by the Agreement or meet its financial obligations past March, 2018.

2. ECOT has violated the Agreement:

- a. ECOT is required under the Agreement to maintain a reserve equal to one month's expenses. ECOT represented in its remedial plan and provided forecasts projecting that it will have a negative, month-end cash balance by as soon as March, 2018. Although ECOT owns real property, that property is not liquid and its value could not be immediately accessed to satisfy ECOT's ongoing obligations.

3. In addition to the reasons stated above, ESCLEW has other good cause to suspend ECOT's operations under the Agreement, including:

- a. If ECOT's available funds are depleted in March or April, 2018 it will be forced to close in the middle of a semester for students, causing substantial disruption and potential harm to ECOT's more than 12,000 students.
- b. ECOT will be required to expend significant funds to comply with its responsibilities under the law if operations are suspended. These expenses may exceed ECOT's required reserves if it continues in operation and will impair ECOT's ability to comply with its statutory obligations upon suspension.
- c. ECOT's failure to comply with its obligations upon suspension, including securing and timely transmitting student educational records to other schools, due to lack of available funds after continued operation could cause additional disruption and harm to ECOT's students and subject ECOT's administrators to potential criminal or other liability.
- d. If ECOT continues to operate until available funds are almost depleted, there is a substantial risk that ECOT employees will not be paid for their service or that ECOT will be unable to make required contributions to STRS and SERS

Under current law, a school's exemption from mandatory closure laws does not limit a sponsor's ability to suspend or terminate a contract based on fiscal management or poor performance. As stated above and as reflected in the attached exhibits, ESCLEW has determined that ECOT's current condition warrants suspension of ECOT's operations immediately.

ECOT's governing authority shall have five business days to submit a proposed remedy to the conditions cited as reasons for the suspension or face potential contract termination.

EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST

By 

Its: Superintendent

Date: 1-19-2018

CC: Apryl Morin, Executive Director, Community Schools Center, ESCLEW

RaShaun Holliman, Director, Office of Community Schools, Ohio Department of Education

Brittney Pierson, Superintendent, ECOT