



Oak Knoll Kinderhaus Montessori School
1200 North Lake Avenue ❖ Pasadena, CA 91104 ❖ (626) 345-0595
www.oakknollkinderhaus.com

Board of Directors

board@oakknollkinderhaus.com

June 5, 2006 Special Board Meeting

MINUTES

Attendance:

Board members: Alana Steele, President; Hannah Holland, Vice President; Standrea Williams, Treasurer; John Barrone, Secretary; Joyce Barrone, Dorothy Chambless, John Chambless, Jonna Pangburn Dennis, Peter Dimopoulos, Gwen Hourihan, Nina Powell, Lisa Vigil Ruelas.
Staff: Sarah Prunier Law, Seadra Cronk

Location: Lake campus

PRESIDENT'S REPORT

Opening statement from President on behalf of the directors asked to resign immediately by the Founders and a majority of Staff members. On June 1, 2006, the Founders held an event with a group of Staff and a select group of parents to present an ultimatum to a majority of directors that if those directors did not resign immediately, the Founders and a majority of Staff would resign.

Discussion followed regarding whether Staff would actually resign. Staff representatives discussed some of their issues and agreed to further discussions before deciding whether to resign. Staff requested a letter from the Board stating that the Board will not involve itself in the Montessori curriculum.

Motion to send teachers a letter, as suggested by the staff, stating that the board will not interfere in curriculum. Second. Passed.

A meeting was scheduled for June 7, 2006 to further discuss Staff issues.

NEW BUSINESS

Conflict of Interest Policy

The President presented a conflict of interest policy based on the IRS requirements for determining when an interested person has an actual conflict of interest. Motion to table until June 12, 2006 to give directors additional time to review policy. Second. Passed.

Resolution for Audit

Dorothy and John C. stated that a free one hour pre-audit was being done. The President stated that the Treasurer needed to be involved in this process. The President proposed a resolution requiring that the audit needed to be started by July 15, 2006 and that the Treasurer was to oversee its completion. Second. Passed.

Resolution for Teacher Contracts

Resolution presented by the President to require Montessori Guides to negotiate and sign their contracts by a date certain to ensure employment for the 2006-07 school year. Discussion regarding dates. Staff suggested pushing the signing deadline out until after the June 7 meeting. Motion to amend, seconded and passed. Guides will be presented with their contracts by the Executive Director after the meetings on June 7, 2006 and must accept and or reject the contract by June 12, 2006.

Vote: 8 Ayes 1 Nay. Resolution as amended passed.

Town Hall Meeting

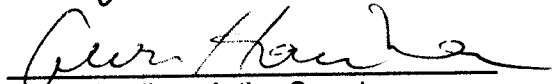
Motion to have a town hall meeting after the June 7 meeting with Staff to address parent concerns arising out of the June 1 ultimatum. Second. Passed. Motion to adjourn regular Board meeting scheduled for June 7 until June 8, same location and time. Second. Passed.

Next Meeting: June 7, 2006 to be followed by a town hall meeting with parents to address their concerns arising out of June 1 event.

Adjourned approximately 10:45 pm

These minutes were approved by the Board of Directors at its regular meeting held

Aug 9, 2006.



Gwen Hourihan, Acting Secretary

ATTACHMENTS:

President's Message

Audit Resolution

Teacher Contracts Resolution

SPECIAL BOARD MEETING, JUNE 5, 2006
OPENING STATEMENT
Presented By Alana Steele

Thank you all for coming tonight. The purpose of this meeting is to address the call for a majority of the directors to resign, and that failure to do so will result in the resignation of the Founders, the Executive Director and a portion of the Staff. The directors in question are (in alphabetical order): John Barrone, Joyce Barrone, Julie Brown, Jonna Dennis, Hannah Holland, Gwen Hourihan, Nina Powell, Lisa Ruelas, myself and Standrea Williams.

The reasons noted for calling for the above resignations was ostensibly for the purpose of reducing the conflicts of interest that are posed by parent board members. However, we have far more serious conflicts of interest on the board than parent/board member conflicts. Consequently, I believe the professed reasons for calling for these resignations are disingenuous.

The consequences of the founders' and teachers' actions are more far reaching than you may realize. The problem has gone way beyond personality conflicts, conflicts of interest, alleged philosophical differences or lack of board leadership. As noted in my e-mail of June 2, 2006, I have recently uncovered certain business practices and transactions that are either highly questionable or simply illegal. Being concerned about all of our potential legal liability and my responsibilities to report this, I sought advice from an attorney. Each and every one of us directors faces potential legal liability for the way the corporation is managed while we are on the Board. This includes all past board members as well. The difference in potential personal liability is only one of degree, that is whether we simply failed to do anything about the questionable accounting and transactions or whether we actually approved or were a party to the accounting and transactions. Until we have a complete audit no one will know the extent of their own personal liability. Leaving will not solve the problems. In fact, those that are obligated to clean up the mess and leave anyway could be worse off legally. Leaving will only ensure that you don't know whether anything is actually being done to fix the problems while keeping you on the hook for anything questionable that occurred during your tenure on the board.

If I were to resign, the professional rules of conduct governing my actions as an attorney and a board member would force me to report my findings to the State Attorney Generals office and to the IRS. In doing so, Oak Knoll could be subject to an investigation that, I have been counseled, few small businesses have survived. Thus, from the perspective of those asked to resign, the school is likely to fail if we leave. On the other hand, if we stay, the founders and teachers say they will leave, again likely resulting in the failure of the school.

From our perspective, our staying and your leaving is a much more desirable failure because it limits or avoids our personal legal liability for the mismanagement of the corporation. None of us actually participated in the transactions and only one of us was actually present at the time the transactions were made.

That said, we do not believe that the school's failure is the only option. I personally believe that there are few unresolvable issues. As an attorney, my advice would be for everyone to stick together and tough it out. After all, we all chose Oak Knoll for our own children primarily due to the quality and dedication of the staff.

Our preference is for all of us to stay and commit to fixing the problems and ensuring that the issues are resolved through changes in by-laws or in approving appropriate policies. If we choose this path, I am not required to report the problems unless the effort fails. We would still have to disclose the questionable transactions and procedures and our resolution of the problems – typically through the board meetings and minutes. In addition, my firm has committed to supporting us in anyway they can to ensure we do what is necessary to resolve these problems.

Given that my departure could set off a series of events that could result in Oak Knoll's failure, I made clear to the other directors asked to resign that I would stay if they stay. In light of this and after careful consideration with outside counsel, we believe it is in the best interest of the children and their families that each of us, including staff, remains in our current positions with the school. In addition to our legal duty to protect the corporation

itself, we believe our most important duty is to ensure the stability of Oak Knoll for the children and their families and do our best to correct the questionable procedures, resolve the serious conflicts of interest that are present on the board and ensure that we fully disclose the issues and how they have been resolved.

Therefore, we are not resigning and hope that you will choose to work with us, rather than abandon the school you have worked so hard to build and the families that have put their trust in the school. We believe it is crucial to the community we serve that we all stick together and create stability for Oak Knoll rather than creating instability. However, if you wish to tender your resignations, they will be accepted.

If you choose to remain on the Board of Directors and work within the board processes, then there are certain tasks that must be accomplished.

First and foremost, we must all address the school community and allay the concerns of parents. I have personally received several calls from parents with questions about the tensions on the board. One of those parents attended the founder/staff meeting and is very distressed by the accusations leveled by the founders and staff at certain board members.

Second, we must all respect and adhere to the confidentiality agreement we signed and the rules against dissention after a vote as been taken.

Third, we must all do everything we can to completely revamp the corporation's (not the school's) operations to resolve the personal legal liability most of us are facing.

Again, our desire is to work through these difficult issues together as a group to ensure the stability of Oak Knoll's children and their families and the success of the school. We also hope that all parties are able to put aside any personal frustrations and enter into the next phase of Oak Knoll Kinderhaus's operation with a cheerful attitude and a renewed sense of duty.



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**RESOLUTION TO ENGAGE AN AUDITOR TO CONDUCT
A COMPREHENSIVE AUDIT**

WHEREAS, Oak Knoll Kinderhaus has never had a comprehensive audit since its incorporation in 1999, and

WHEREAS, irregularities in the financial books have been discovered in attempting to reconcile the corporation's books with bank statements, and

WHEREAS, the documentation and board approval process for certain loans is either missing or appears to violate the California Corporations Code; therefore, be it

RESOLVED that, in order to protect the corporation from potential legal liability and to ensure the corporation's integrity, an auditor be engaged by July 15, 2006 to conduct a comprehensive audit of Oak Knoll Kinderhaus' books and supporting documentation. The Treasurer of Oak Knoll Kinderhaus will oversee the engagement process and the actual audit.

The undersigned hereby certifies that he is the duly elected and qualified Secretary and the custodian of the books and records and seal of Oak Knoll Kinderhaus, a non-profit public benefit corporation duly formed pursuant to the laws of California and that the foregoing is a true record of a resolution duly adopted at a meeting of the Board of Directors and that said meeting was held in accordance with state law and the Bylaws of the Corporation on June 5, 2006, and that said resolution is now in full force and effect without modification or rescission.

IN WITNESS WHEREOF, I have executed my name as Secretary and have hereunto affixed the corporate seal of the above-named Corporation this 5 day of June, 2006

Orin Horvath
Secretary, Acting



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RESOLUTION TO HAVE ALL STAFF SIGN EMPLOYMENT CONTRACTS

WHEREAS, the Board of Directors of Oak Knoll Kinderhaus decided that employment contracts were to be submitted to the Guides the first week of February, and the Guides were required to sign within two weeks of receiving the contracts, and

WHEREAS, the Executive Director's March 2006 report states that draft contracts went out to all salaried staff and that the only contract issue was for Primary 2 for which a job sharing arrangement was being considered, and

WHEREAS, it has come to the attention of the Board that draft contracts have not been submitted to all salaried staff and that there are no signed contracts for the 2006-2007 school year; therefore, be it

RESOLVED that, in order to ensure that there is sufficient staff for Summer 2006 and for the 2006-2007 school year, all staff should have employment contracts.

RESOLVED further that each Montessori Guide will be individually presented with a draft employment contract on Tuesday, June 06, 2006. The Guide will have the opportunity to negotiate the terms of his/her employment by Thursday, June 8, 2006.

RESOLVED further that final contracts will be submitted to the Guides on Friday, June 9, 2006 and that the contracts must be signed by Monday, June 12, 2006 to ensure employment for the 2006-2007 school year.

RESOLVED further that all other staff be presented with contracts stating that they are either hourly or salaried employees and the terms of their employment by June 21, 2006.

The undersigned hereby certifies that he is the duly elected and qualified Secretary and the custodian of the books and records and seal of Oak Knoll Kinderhaus, a non-profit public benefit corporation duly formed pursuant to the laws of California and that the foregoing is a true record of a resolution duly adopted at a meeting of the Board of Directors and that said meeting was held in accordance with state law and the Bylaws of the Corporation on June 5, 2006, and that said resolution is now in full force and effect without modification or rescission.

IN WITNESS WHEREOF, I have executed my name as Secretary and have hereunto affixed the corporate seal of the above-named Corporation this 5 day of June 2006

Gwen Honiha
Secretary, Acting