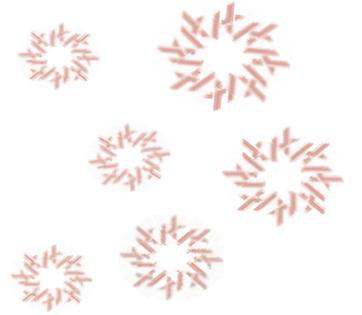




HIGHMARK QUARTERLY



Ethics & Integrity

Discipline

Empowerment & Accountability

Quality

Teamwork

Agility

President's Message



Having recently returned from the National Authorizers Conference (NACSA) in Miami, Florida, I was once again immersed in the energy and passion driving the charter school movement. State charter school authorizers are the tip of the spear when it comes to reviewing and scrutinizing charter school applications so that the best quality and uniquely diversified charter operators are approved and poised to grow education reform.

HighMark School Development, acting as the developer and financier of charter school facilities, appreciates the grass roots work being done by these authorizers to ensure the viability of governing boards and high performing educational models.

In this issue of the "HighMark Quarterly" we will spotlight our financing partner EPR Properties (EPR-NYSE). For the last 4 years HighMark has enjoyed a very symbiotic relationship with EPR and have together invested over \$296 millions of dollars towards charter school facilities. We want to thank them for their commitment to the charter education sector.

As HighMark's education facilities portfolio continues to grow, there is an increased awareness and emphasis on facility maintenance and asset protection. Contained within this issue, school operators will learn or be reminded of important facility maintenance and insurance requirements. Thank you for your commitment to education.

Mark Skousen



Foyer at Ben Franklin Gilbert Campus

WINTER BREAK BUILDING MAINTENANCE

As winter break approaches it is a great time to complete many items that are sometimes difficult to accomplish when your student community is in your facility. Here are some suggested tasks to complete while your students and teachers are away:

1. Strip and wax floors.
2. While you're moving the furniture, check that all chairs and desks are in good condition. You may need to replace feet, tighten screws and give these items a good cleaning.
3. Check all your caulk joints and repair where needed. This includes windows, door frames, and in spaces around plumbing fixtures to name a few.
4. Give your mechanical systems some TLC. Replace filters and clean grills.
5. Walk the facility for other items that need attention such as light bulb replacements and hot water heater maintenance.
6. Be sure to check all door hardware and tighten/adjust as necessary.
7. Visit your roof to ensure snow/ice build-up is not negatively affecting HVAC equipment and roof drains. To ensure proper roof drainage, double check that leaves or other materials are not blocking roof drain.
8. If you happen to return to the facility and notice odors, it may be due to drain traps in restrooms, mechanical rooms, kitchens, and custodial closets going dry. Most of our facilities have trap primers to prevent this, but it can happen. Simply pour some water into the floor drains and you should experience relief from the odors.

Reporting to HighMark



Sending your school's required reports is an important part of maintaining your school's relationship with HighMark. During the winter months your school will be obtaining information that, by contract, is required to be shared with HighMark:

- 1 - Annual Financial Audit - due within 30 days of issuance
- 2 - State Reported Enrollment - due when the counts are available

Remember, we want our schools to succeed. By providing financial and enrollment numbers to HighMark in a consistent and timely manner, schools will be in compliance with contractual obligations.

More importantly, the school and HighMark will be on the same page with the financial direction that the school is headed.

Please send your year-end audited financial statements as soon as they are available, along with 30 day and 100 day enrollment counts.

Questions about reporting requirements? Email questions and reports to Kelsy@highmarkschools.com

TOP PERFORMERS

The HighMark portfolio is full of "Top Performers" that deserve a shoutout. The three assets receiving recognition in this issue had an outstanding year academically, have a growing waitlist, and are in discussions for expansion.



Bella Monte Montessori
San Diego, CA

First year of operation: 2013-14
Currently serving grades K-8

Enrollment increase in one year: 68%
Expansions projects completed: 2

Plans for future growth: YES
North Carolina Leadership Academy
Kernersville, NC

First year of operation: 2013-14
Currently serving grades K-10

Enrollment increase in one year: 30%
Plans for future growth: YES

Ben Franklin Academy
Highlands Ranch, CO

First year of operation: 2011-12
Currently serving grades K-8

Expansions completed: 1
Percent proficient & Advanced in Math: 83.5%

State: 56%

Percent Proficient & Advanced in Reading: 88.4%
State: 67%



Bella Monte Montessori



North Carolina Leadership Academy



Ben Franklin Academy



AUTHORIZING FACTS

Picnic tables outside AZ Compass Prep School

The US has 1,045 active charter authorizers with portfolios ranging from “just one” schools to over 500 schools.

Fully 90% (or 945) of all authorizers are a Local Education Agency (LEA), typically referred to as “the district.” But, these LEAs oversee fewer than half of the nation’s 6,000 charter schools. Only 10% of districts with any charters have authorized more than five. Those districts with expansive charter portfolios are usually large urban districts (e.g. Los Angeles, Oakland, Philadelphia, Chicago, Dallas, and others).

Higher Education Institutions (HEI) form the next largest group: 46 in all. These are common in Michigan, a strong charter state. Indiana and Wisconsin both lean on this option. Minnesota has a few. South Carolina and Georgia allow HEI authorizers but none have approved schools yet. One of the most respected authorizers in the industry is an HEI: SUNY in New York.

Next, you’ll find 18 not-for-profit (NFP) authorizers—most of them in Minnesota; some in Indiana. And 18 State Education Agencies (SEA), typically the Department of Education (DOE). In some states, the SEA is the largest, only, or most common option: Texas, North Carolina, and New Jersey come to mind.

Rounding out authorizers, we’ll find 15 Independent Chartering Boards (ICB). And just three Non-Education Government (NEG) entities. An unusual example of an NEG is the Mayor of Indianapolis who can award charters, independent of state and district politics.

HighMark works with many ICB’s, but it can be difficult to distinguish a state agency from an ICB. This might surprise you, but when we casually refer to “the state authorizer” in South Carolina, Georgia, Arizona, Colorado, and Utah we’re actually speaking of an Independent Chartering Board with authority to place schools statewide.

Now you know.

Global Village Academy - Colorado Springs

Conference Notes

October 2014 found HighMark and EPR together in Miami Beach, Florida at the National Alliance of Charter School Authorizers (NACSA) conference. This event is one of the most productive national conferences we attend every year.



Together we hosted our second-annual, invitation-only cocktail reception for authorizers, state leaders, EMOs, CMOs, industry partners, and association folks. Invitations spanned 17 states, including 61 authorizers representing almost 3,000 schools . . . about half of all charter schools in the US.

Elsewhere, HighMark’s Vice President of Business Development Patrick Beausoleil once again sat on a facilities panel at the South Carolina charter conference in early November, and HighMark was represented at the Florida state conference by President Mark Skousen. Rounding out the year, Patrick attended the Texas state charter conference in Houston December 10-12.

Partner Spotlight

Since early 2011, HighMark and Education Capital Solutions (ECS) have partnered to provide 100% financing for public charter and private school facilities.



Education Capital Solutions is a wholly owned subsidiary of the specialty real estate investment trust (REIT), EPR Properties. EPR is publicly traded on the NYSE:EPR.

EPR has more than 200 properties across 39 states in the Entertainment, Recreation and Education industries. With such a clear focus on client types, EPR develops great depth of knowledge in each segment. In fact, they have a dedicated team of legal, transaction, and underwriting professionals exclusively for its Education segment.

Together, HighMark and EPR have developed 36 education projects for 26 clients totaling about \$296M in capital deployment.

ENSURE YOU’RE INSURED

Days, weeks and months go by without giving any thought to insurance. You don’t want the injury to happen, a water heater to overflow, or a 100-year storm to hit before the thought, “do we have the right insurance?” crosses your mind. Don’t worry! HighMark is persistent in getting each school compliant to our insurance requirements...and it’s for your benefit.

The teams at HighMark and EPR Properties conduct audits throughout the year ensuring all assets in our portfolios have proper insurance coverage through each stage of the development process.

Construction requires Builder’s Risk and Owner’s Contractors Protective (OCP); which HighMark obtains. When construction is nearing completion, the Asset Manager at HighMark will send an Insurance Compliance Overview to your school. The overview breaks down the legal obligations and covenants of the sublease and simplifies what coverage each school is required to obtain, obligatory limits and whom to list as additionally insured.

Once construction is complete, your school will bind General Liability and Business Personal Property and HighMark will bind permanent property insurance.

The following limits are the standard insurance requirements:

General Liability

- Each Occurrence \$2MM; General Aggregate \$4MM; and Products/Completed Operations Aggregate \$4MM

Automobile

- Minimum coverage of non-owned auto of \$1MM per occurrence

Worker’s Compensation

- \$100,000 per occurrence

Employee Dishonesty

- \$25,000 per claim

Business Personal Property

- Full replacement cost

Questions about insurance requirements? Email questions to Kelsy@highmarkschools.com