

Education Empire: David Brennan's White Hat Management Inc.

A Comprehensive Report on the Origins, Evolution and
Business Model of Ohio's Largest Charter School Company

A Report by the Food and Allied Service Trades Division of the AFL-CIO
in cooperation with the Ohio Federation of Teachers
March 2006

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Summary

The following report examines David L. Brennan's education empire in Ohio. The first section includes a narrative chronicling the birth and expansion of this empire, as Brennan and his allies drove their "school choice" agenda to fruition, profiting off of state taxpayer money along the way. It follows Brennan from his nascent interest in education reform to his instrumental (and controversial) political lobbying in Ohio for school choice. Later, it explores Brennan as a voucher school operator. And finally the narrative details the creation of his private, for-profit company that operates and controls an ever-growing stable of state-funded charter schools in Ohio and throughout the nation. Additionally, as the story moves forward, we see the corporate structure of Brennan's enterprises slowly unfold, as his education business permutations rise and then fall in favor of a newer design. The appendix looks at the cadre of associates in Brennan's education network, which include both officials in his management companies as well as supposed independent charter school trustees. It reveals how their interconnections compromise the autonomy of state-funded community schools.

The content of this document is based principally on research collected from corporate records from the Ohio Secretary of State's office, audit reports from the Ohio Auditor's office, county property records, IRS form 990 filings, court records, campaign finance forms, and other general Internet searches. News articles from local and national media outlets were also relied upon to provide context and flavor to the corporate research on Brennan's various education entities.

A preeminent trend when examining Brennan's career as a school choice advocate and education businessman is his tendency to pursue avenues that maximize his profits. This should come as no surprise considering his early career as a tax shelter lawyer, an industrial investor, and a local real estate mogul. Despite worshipping at the altar of the neoliberal economics, Brennan consistently relied upon public money for his ventures. He tried the free-market approach when his daughter established the private Interfaith Elementary School. Yet, when the school failed to take off or turn a profit, he quickly abandoned that approach. Instead, he maneuvered to win state funding for his schools.

Prior to his interest in education, Brennan had built a lucrative career out of turning public funds into personal profit. His numerous downtown development projects in Akron benefited greatly from city subsidies. And he used his deep pockets to buy influence from local politicians. He took a similar approach in the field of education. Brennan saw vouchers as a way of winning free capital to start private schools. So beginning in the late

1980s and early 1990s, Brennan flooded the Ohio Republican party with political contributions. George Voinovich, in particular, was a major beneficiary of Brennan's donations. Soon after taking seat as governor, Voinovich started the ball rolling for state vouchers by creating a state Commission on Educational Choice; Brennan, naturally, was appointed chair. Legislation soon followed – sponsored by legislators on Brennan's campaign finance payroll. And when the voucher bill snuck through the General Assembly and was signed into law, Brennan was among the first to launch private schools for voucher recipients. Brennan's non-profit group provided management services to these schools. But these schools were not profitable. Within several years, he completely abandoned his voucher schools and his non-profit organization supporting the program.

Brennan realized he could more than double his receipts of per-pupil state funding if he set up public charter schools. Again, he would push favorable legislation through the halls of the state legislature. With a charter law in place, Brennan won more than half the initial charters approved by the state Board of Education. This time, he created a for-profit company, White Hat Management Inc., to manage and operate private schools. White Hat signed lucrative contracts with its schools. And eventually it crafted a management agreement where a staggering 97 percent of its revenue flowed straight from the charter academies to the company. As time passed, White Hat continued to win more state money earmarked for education. When the Life Skills Centers – schools for high school dropouts – proved more profitable than the K-8 Hope Academies (thanks, in part, to vocational aid), White Hat began churning out Life Skills in far greater numbers than the Hope schools. In fact, when White Hat moved its business beyond Ohio, it set up only Life Skills Centers.

Also emphasized in this report is the glaring interdependence of White Hat and the schools it operates. First, White Hat's very existence depends on revenue from the state. Second, the boards of trustees for public charter schools were designed to govern their schools with autonomy. Yet, as one follows the growth of Brennan's charter school network, the same people show up, again and again, as the schools' incorporators and their trustees. Many of these individuals have direct or tangential relations with David Brennan. Additionally, a series of loans which left the Hope Academies indebted to White Hat Management, and then later White Hat indebted to Brennan, himself, suggests he exerts a great deal of financial leverage over the charter schools. The ability of a charter school's board of trustees to negotiate fair and equitable contracts for its school is questionable when they're apparently hand-picked by and indebted to the management company that operates the school. Many of the relationships – and perhaps business ties – between Brennan and the charter school trustees remain unclear. Nevertheless, there are evident ties that bind the boards to Brennan. Still, there remains much left to uncover.

End of Summary

Section 1: Corporate Structure

Brennan and School Choice: Politicking for Vouchers

David L. Brennan's career as an advocate for education reform took root in the late 1970s. His firm, the Akron-based Brenlin Group, a venture capital partnership specializing in industrial companies, was in the midst of acquiring a number of manufacturing plants throughout the country. Upon closer scrutiny of Brenlin's new factories, Brennan was appalled at the low education levels of many employees. Nearly a third of his factory workforce scored below a 5th grade level in reading and math. "We discovered that if we didn't educate them, we'd have to replace them. But we couldn't easily replace them because a huge percentage of people applying for our factory jobs also were under-educated," Brennan recalled. "So we got into the education business." A harbinger of his charter school classroom model to come, he installed computer-based learning programs in his factories. "Contrary to common wisdom," Brennan expanded, "we discovered that the further you go down the academic achievement continuum, the more effective the computer is as teacher."¹ He created a subsidiary, Brenlin Learning Services to administer the educational program. This business model, mixing for-profit enterprise with schooling, was a forbearer of the education companies Brennan later created.

A resident of Akron, Brennan by the early 1990s had turned his gaze to the public school system in Ohio. Again, he perceived academic failure. "We've lost two generations of youngsters. We're losing a third. I've concluded that working with the present system is a waste of time."² The rigid protocols of state-controlled education, he argued, were failing to "respond to innovation sufficiently to create the breakthroughs that are needed in individual kids." School choice was the solution. Market principals, Brennan argued, were the balm to heal an ailing system: "Education is a business. Not accepting that is one of the big failures of government education. Consequently, it lacks the innovation that businesses do every day to survive."³ By his own account, business profits and educating children went hand-in-hand: "It's so very difficult to create change in education, so reform had better be done in a way that can sustain itself. Without profits, choice schools cannot sustain themselves [...] Eventually, it has to be a for-profit activity to create the capital to keep building and maintaining these schools." Perhaps a true ideological zeal for school choice led him to the front lines of this education crusade, yet the pursuit of financial gain has been an undeniable engine driving his education endeavors.

But Brennan's belief that the unfettered market can solve all problems in education is misleading. Even as he and his daughter, Nancy, launched their first private school, Interfaith Elementary in September of 1993, he coveted the vast education resources in the state coffers.⁴ Here was the real treasure trove in the education business. And so beginning in the early 1990s, Brennan began building political clout to compel state government to subsidize his education empire; all this under the banner of school choice. Not coincidentally, when Brennan succeeded several years later in winning state funding for his

¹ Source: "Voucher king: Victor or villain?" *The Cincinnati Enquirer*. May 11, 2003.; "THE TRUTH ABOUT THE AMERICAN WORKER." *Fortune*. May 4, 1992

² Source: "Akron's Accidental Industrialist." *Corporate Cleveland*. November, 1991.

³ Source: "Voucher king: Victor or villain?" *The Cincinnati Enquirer*. May 11, 2003.

⁴ Source: "School Opens with 10 Students." *Plain Dealer*. September 7, 1993

academies from the Ohio legislature, he closed Interfaith and reopened it as a publicly financed school. Later he abandoned all his private academies and created community (or charter) schools under the government umbrella when he discovered that route was more profitable. He worked within the public schools system – a system he once scathingly likened to Communist Eastern Europe.

Even before his foray into education, Brennan had a history of turning public funds into personal profit. Those in Akron are well acquainted with these practices. First, a little background on Brennan's business career. A tax lawyer by trade, Brennan cut his teeth in the field by creating tax shelters for wealthy Akron-area doctors in the 1960s and 1970s. He made his first small fortune in a real estate deal and parlayed this newfound wealth into an investment partnership, the Brenlin Group. Applying his knowledge of tax law to great advantage, Brennan helped transform the partnership into a behemoth. By the late 1980s, *Forbes* magazine consistently listed the Brenlin Group as one of the 400 largest private companies in the U.S. Changes to the federal tax code, however, severely curbed tax-sheltering possibilities for his investments, and beginning in the late 1980s, Brennan's real estate and development projects increasingly depended on government subsidies. The *Akron Beacon Journal* wrote that at "the same time, records show a dramatic escalation in Brennan campaign contributions, often directed at those in key positions to help make the deals happen. It's an escalation that mirrors this pursuit of public money for his projects." Many of Brennan's investment deals in Akron have been marked by accusations of undue influence, conflicts of interest, and double-dealing, with taxpayers often getting the short end of the stick.⁵

He used the same strategy in advancing his education enterprises. Having shown a relative indifference to politics for much of his life, Brennan burst onto the scene in the late 1980s and early 1990s emerging as a political force to be reckoned with. Brennan flooded the Ohio Republican party with donations. Since 1984, the Brennan family – David, his wife Ann Amer Brennan, and daughter Nancy Brennan – has contributed more than \$3.8 million to Republicans. George Voinovich, in particular, was a major beneficiary of Brennan's largess, receiving more than \$120,000 from the Brennans during his tenure as Ohio governor.⁶ That year, Brennan also hosted a backyard fundraiser at his Akron estate, which netted \$500,000 for the candidate. Among the party's guests was President George H.W. Bush. Brennan admitted that he channeled cash to Voinovich "[s]o at least when he got into (the governor's) office, I had his ear about choice."⁷ He led a \$1 million fundraising effort, which fueled a Republican takeover of the House in 1994, all but ensuring that vouchers moved to the front burner in the legislature. An *Akron Beacon Journal* feature on David Brennan from 1996 encapsulated his growing imprint on state education policy:

Brennan has been able to parlay that influence in Columbus into policy changes that already are affecting the expenditure of millions of taxpayer dollars. And those changes eventually could have a dramatic impact on the educational future of thousands of public-school students and their families in Akron and across Ohio.

⁵ Source: "Big Man in Akron." *Akron Beacon Journal*, March 31, 1996 Sunday

⁶ Source: "Self-Appointed Superintendent." *Columbus Dispatch*. October 23, 2005 Sunday

⁷ Source: "Self-Appointed Superintendent."; "Big Man in Akron." *Akron Beacon Journal*, March 31, 1996 Sunday

And just as he did while proclaiming his altruistic motives in downtown redevelopment, Brennan has positioned himself and those close to him to profit from the public-policy changes he has influenced.⁸

Voinovich rewarded his benefactor when he appointed Brennan chair of the 27-member Governor's Commission on Educational Choice. The Catholic church also played a role in this venture. The Diocese viewed vouchers as a potential boon to its schools' enrollment and worked closely with Brennan and Voinovich when assembling the Commission on Educational Choice in 1992. While Brennan, himself a Catholic, warned against overt connections between vouchers and the church, he followed this by stating in the Diocese's bulletin: "The public distrusts all of this because of the religious involvement, but that is the very thing we have to restore to education."⁹ Under Brennan's direction, the Commission launched on June 25, 1992, recommended taxpayer-funded vouchers for Ohio's students to attend private schools.¹⁰ The Commission's endorsement of vouchers – and no doubt Brennan's generous contributions to a roster of legislators on his campaign finance payroll – stirred the kettle of the state General Assembly. In short order, legislators H. Cooper Snyder (R-Hillsboro) and Chairman of the House Education Committee Michael Fox (R-Hamilton) began crafting a voucher bill with Brennan. Fox, it was later revealed, had accepted more than \$13,000 in campaign contributions from Brennan between 1992 and '94. And in 1996 and '97 he took another \$7,650 from David and Ann.¹¹

Another political ally leading the voucher campaign was Governor Voinovich's own chief education advisor, Thomas F. Needles. During his tenure from 1993 to '98 as an executive assistant of the governor, his was the voice behind the administration's school choice rhetoric. Brennan and Needles worked closely together. Indeed, years later their cozy working relationship during this formative period of education reform came under major public scrutiny. Some questioned whether they trampled over ethical boundaries. In late 1999, days after leaving the office of outgoing governor Voinovich, Needles began working for Brennan as a lobbyist. Ohio law dictates that a public servant must wait one year upon leaving government to begin lobbying in the fields where they were formerly involved.¹² To this day, Needles retains his post as a Brennan lobbyist and spokesperson. He later acquired shares of a Brennan education company.¹³ And currently one of Brennan's chief employees, Lee S. Walko, serves as the listed managing partner of Needles' consulting firm.¹⁴

⁸ Source: Shaky Footing on Home Ground." *Akron Beacon Journal*. April 2, 1996

⁹ Source: "Outrage in Ohio." *Church & State*. February 1, 2000

¹⁰ Source: "Using Taxes For Private Schooling is Proposed." Columbus Dispatch. June 26, 1992; http://www.motherjones.com/news/special_reports/mojo_400/389_brennan.html

¹¹ Source: Shaky Footing on Home Ground." *Akron Beacon Journal*. April 2, 1996; OH Secretary of State, Campaign Finance Database.

¹² Source: "Did Former Aide's Role Cross Lines?" Akron Beacon Journal. December 13, 1999; "David Brennan's White Hat Management Changes the Way Business, Politics and School Vouchers Mix." *Akron Beacon Journal*. December 13, 1999

¹³ Source: Franklin County Clerk of Courts. Case No: 02DR1726, document filed 24/04/02. **Note:** The case stated he owned an undeclared number of shares of White Hat Ventures, LLC. Additionally, a 2004 case in the Franklin Co. Clerk of Courts (No: 04DR4865) also show White Hat Management, LLC as one of Needles' two primary employers. The other was his lobbying firm, Voinovich, Needles & Dalton. He noted that between the two jobs he earned roughly \$42,000 a month (\$504,000 annually).

¹⁴ Source: Ohio Secretary of State Corporation; **Note:** The company listed is VND Holdings, LLC, which was previously called Voinovich, Needles & Dalton, LLC.

The voucher bill, titled the “Ohio Scholarship Plan,” was introduced to the state House and Senate in late 1993. It called for a pilot program in a specified school district where families choosing to opt out of public schools would receive a tuition credit worth 45 percent of state and local money per-pupil to attend a private school. Proponents hoped to have the bill passed by 1995. In response, a coalition called Citizens Against Vouchers formed to prevent the act from becoming engraved as law. The group was comprised of the Ohio Parents and Teachers Association, the Ohio Federation of Teachers, the Ohio Education Association, the Ohio School Boards Association and the Ohio AFL-CIO, among others.¹⁵

As the voucher debate raged in the halls of the Assembly, Brennan and his lieutenants appealed to the court of public opinion. In the early months of 1994, Brennan and Arthur J. Kobacker launched a non-profit advocacy group called Hope for Ohio’s Children to conceive and disseminate pro-voucher rhetoric.¹⁶ The group sponsored a \$20,000 statewide survey in August that found nearly three-fourths of Ohioans supported the voucher proposal.¹⁷ Brennan campaigned relentlessly, a fixture in the papers, weighing in on the school choice dispute.

The voucher movement scored a momentous victory in April 1995 when the Ohio legislature passed a \$5.25 million school voucher pilot program for the city of Cleveland as part of the year’s \$33 billion state budget. During debate, Republicans overrode Democrats’ attempts to remove the program from the budget.¹⁸ Voinovich signed the bill into law. The system, later called the Cleveland Scholarship and Tutoring Program, was slated to begin at the start of the 1996-97 school year. Worth up to \$2,225, the vouchers were awarded by lottery to 1,500 students who could use the funds to attend a private school of their choice. The state Department of Education would oversee the venture. Bert Holt, a long-time Cleveland public school administrator, was appointed program administrator. Like so many of those involved in seeing vouchers to fruition, Holt had a close, dubious working relationship with Brennan. Some argue she gave unfair advantages to Brennan’s voucher schools. Indeed, one article reported: “While Holt was supposed to report to the department, phone records and other communications obtained by the *Beacon Journal* show that she worked closely with Brennan and Needles, the governor’s chief aide for education.”¹⁹ She went on to join the Ohio School Choice Committee, which also featured Brennan and other “school choice” leaders in Ohio. And later she emerged as a key member in Brennan’s charter school network, serving as trustee for more than a dozen of his schools.

Opponents of the voucher law, however, did not concede defeat. In January 1996 the American Federation of Teachers headed a coalition filing a lawsuit in the Franklin County Court of Common Pleas challenging the constitutionality of the Cleveland program. The court battle lasted two years, with judicial decisions cast then later overturned, before finally making its way to the state Supreme Court. Brennan again courted controversy due to a

¹⁵ Source: “Voucher Backers Eye 1995.” Columbus Dispatch. February 6, 1994.

¹⁶ **Note:** The organization, which incorporated with the Ohio Secretary of State on April 14, 1994, included as its original trustees: Brennan, Kobacker, Kevin J. Coughlin, and Mary Ann Jackson. Anthony Manna was the incorporator. The non-profit dissolved four years later on December 30, 1998.

¹⁷ Source: “Poll: Most Support School Voucher Program.”

¹⁸ Source: “House OKs State Budget; School-Voucher Plan Included.” Plain Dealer. April 7, 1995.

¹⁹ Source: “David Brennan’s White Hat Management Changes the Way Business, Politics and School Vouchers Mix.” Akron Beacon Journal. December 13, 1999

close relationship with a Justice on the Court.²⁰ Nonetheless, the court ruled against the program based on a technicality: enacting this new education policy through the state budget violated the “single subject” provision of the state Constitution. Legislators could not tack such a bill on to the state budget. However, the Assembly quickly reinstated the program, which set off another round of lawsuits. This time the case appealed all the way to the U.S. Supreme Court. In June 2002 the high court ruled that vouchers do not violate the U.S. Constitution. But back in its earliest stages, with the program’s future uncertain, voucher advocates pressed on and began accepting applications for scholarships in 1995. And a Brennan-led organization was in the thick of the action, helping administer applications and influencing program policy.

Vouchers: Hope for Cleveland’s Children

The ink was still fresh from Voinovich’s signature on the voucher law when Brennan and his associates began laying the groundwork to participate in the pilot program. On May 30, 1995, the Brennan-backed Cleveland Private School Fund incorporated as a non-profit corporation in the state of Ohio. The organization operated out of Brennan’s business headquarters in Akron.²¹ Its mandate was to promote private education in Cleveland: publicize the scholarship program, help kids secure vouchers, and direct participants to suitable schools.²² Four months later, the entity changed its name to the more well-known Hope for Cleveland’s Children (HCC). Of course, HCC was no self-sustaining grassroots operation. It owed its very existence in large part to the beneficence of the Walton Family Foundation, the multi-million dollar charity run by the heirs of the Wal-Mart fortune. John Walton, the family’s most outspoken education reform advocate before his death in 2005, served with Brennan on several national “school choice” organizations, including the American Educational Reform Council, the CEO Foundation, and Alliance for School Choice. HCC received \$750,000 from the Bentonville, Arkansas-based foundation during its 1996 tax year – more than *75 percent* of its revenue. The following year, the Walton Foundation donated \$500,000 more to HCC, accounting for *92 percent* of its grant funding and *68 percent* of its general revenue. All told, in the five-year period after HCC’s inception, it raked in \$1.825 million from the Walton family.²³

²⁰ **Note:** As the Cleveland voucher case moved to the Ohio Supreme court, Justice Deborah Cook began to inquire whether she should recuse herself from the upcoming hearings. Brennan donated up to \$10,000 to her 1994 campaign for the justice seat. Additionally she had been invited to Brennan’s estate on a number of occasions for dinner and other gatherings. And the two attended a ball game together. Source: “Justice Seeks Outside Counsel.” *Akron Beacon Journal*. February 21, 1998.

²¹ **Note:** Brennan’s office is located at the downtown building, 159 S. Main St., Akron, OH 44308. The building was owned by a Brennan company formerly known as Eighty West Corp. It later merged into Brennan-80 West, LLC. Currently the building is owned by 159 Associates Ltd.; its sole managing partner is Andrew R. Duff, a lawyer and vice president for Amer Cunningham Co. LPA (Brennan’s former law firm, named for his wife). The building’s management company is Bowery Management, Inc., with Duff also serving as RA.

²² **Note:** According to an April 2, 1996, story from the *Akron Beacon Journal* titled “Shaky Footing on Home Ground”: “Trustees of this new Brennan entity include Deborah Owens (later, Deborah Owens-Fink); John D. Helline, vice president of business development for Brennan’s BMR Development; and Nancy Osborne, office manager of Brennan Learning Services, the for-profit educational concern headed by Brennan’s daughter.” Joseph E. Cook, Jr. served as Registered Agent and Incorporator for this entity. He is lawyer for Amer Cunningham Co. LLP, Brennan’s former firm.

²³ Source: IRS form 990 forms – these are the federal tax filings mandated by all domestic non-profits over a certain revenue level – for Hope for Cleveland’s Children and the Walton Family Foundation.

This influx of cash, in part, went toward establishing Cleveland voucher schools. In the spring of 1996, Brennan and his agents incorporated several “Hope” voucher schools in Cleveland: Hope East 53rd Street Academy (later renamed Hope Central Academy), Hope Bridge Avenue Academy, and Hope Ohio City Academy (later called Hope Tremont).²⁴ As required by law, each was a non-profit entity. Bert Holt promptly welcomed the schools into the scholarship program. Yet Brennan demanded more concessions. In a correspondence to Thomas Needles, he requested a list of all scholarship recipients be sent to Hope for Cleveland’s Children “so that we can assist people who will be calling in asking questions.” Some suspected ulterior motives; he might use the directory to recruit students for his new schools. Additionally, he feared that only poor students would apply for the vouchers and attend his schools. In short order, eligibility rules were changed to allow higher-income families to win scholarships.²⁵

On August 29, 1996, Hope Central Academy and Hope Tremont Academy opened their doors for business, with 81 and 236 pupils respectively.²⁶ The schools were grades K-4. A year into the experiment, Brennan boasted before a Congressional subcommittee on Capitol Hill: “The academic results of our students are outstanding. During our first year of operation, the overall percentile of achievement by all students went from the 37th percentile to the 45th percentile.”²⁷ One year later, outside analysts still lacked data from the Hope academies to either confirm or discredit Brennan’s claims. Students attending Brennan’s schools took different standardized tests from those distributed to public school children and other voucher recipients.²⁸

If their academic progress remained obfuscated, the schools’ financial status was clearer. The two academies depended greatly on aid from Hope for Cleveland’s Children. Indeed, the entities formed a symbiotic relationship that served as a prototype for Brennan’s far more vast (and profitable) school choice business to come. During the 1997-98 school year HCC donated a combined \$653,500 to the Tremont and Central academies – money, you will recall, derived mostly from the Waltons of Bentonville. The funding accounted for nearly 35 percent of the schools’ revenue for that year; they would have finished deep in the red or severely cut educational services had HCC not intervened. Oddly, the financial relationship does not end there. In addition to serving as the fundraising and public relations arm of Brennan’s education venture, HCC also functioned as a school management company. That year it collected *back* \$172,120 in management fees from the two Hope schools. This money cycle, beginning in 1996, continued for the next few years.²⁹ The model created during the voucher period was as follows: Brennan and his agents create two separate (but

²⁴ **Note:** Hope Central Academy is incorporated on April 9, 1996; Hope Bridge Avenue on May 3, 1996; Hope Tremont on May 31, 1996. For each school Joseph Cook served as incorporator. Lee S. Walko was one of the initial trustees for Tremont. He is an attorney for David Brennan’s current law firm, Brennan, Manna & Diamond, LLC. Hope for Cleveland’s Children issued grants of \$101,699 and \$218,908 to Hope Ohio City (Tremont) and Hope Central.

²⁵ Source: “David Brennan’s White Hat Management Changes the Way Business, Politics and School Vouchers Mix.” *Akron Beacon Journal*. December 13, 1999.

²⁶ Source: “Experiment Begins: Voucher Schools Open.” *Cleveland Plain Dealer*. August 29, 1996

²⁷ Source: “Testimony September 12, 1997 David L. Brennan, Founder Hope Academies House Education and the Workforce Oversight and Investigations Education at a Crossroads – Field Hearing Cleveland, Ohio.” Federal Document Clearing House Congressional Testimony. September 12, 1997, Friday.

²⁸ Source: “Educators Say Study Lacks Data.” *Cleveland Plain Dealer*. January 17, 1998.

²⁹ Source: IRS 990 forms for Hope for Cleveland’s Children, Hope Tremont Academy, and Hope Central Academy covering the years 1996-2000.

co-dependent) entities; one, the not-for-profit school, feeds from the trough of the state education money pot; and the other, the management company, collects an administrative fee from the school. Both entities were staffed with Brennan employees or his associates.³⁰

But Brennan's voucher experiment fizzled out by the turn of the century. He had lost interest in voucher schools, claiming they were unprofitable and unsustainable. Additionally, an Indiana University study found Hope students falling behind academically in comparison with voucher recipients attending other schools.³¹ His private schools closed their doors, and HCC's revenue stream dwindled to a slow drip. By then, however, it didn't matter. Brennan and company had found another, far more lucrative avenue for his education business model: charter schools.

Charter Schools: The Hope Academies and White Hat Management

In early 1995, Ohio Representative Sally Perz, a Toledo Republican, introduced a bill proposing a new breed of school in the state. The schools, called "community schools" in Ohio, but known as charter schools throughout much of the rest of the country, were independently run, yet they received full state funding. Indeed, they were advertised as a public education alternative to the traditional public school system. Unshackled from government regulations, these schools were promoted as potential education hotbeds of innovation and creativity. Perz's bill initially proposed the creation of 400 community schools. That Perz fell under Brennan's wing should, by now, come as no surprise; she later served as a registered lobbyist for his education management company – a post she currently retains.³² Perz later served on several 501(c) 3 charter advocacy groups such as The Ohio Community School Center and the Ohio Charter School Association, alongside high-profile leaders such as Tom Needles, Cooper Snyder, Clinton F. Satow, Chester E. Finn, Jr., Deborah Owens-Fink, and David Zanotti. Senator Snyder drafted charter legislation similar to Perz's in the Senate. But to the chagrin of "school choice" advocates, Perz's measure, having cleared the House in June, petered out in the Senate the following March.³³

Undaunted, pro-charter legislators, bolstered by full support from Governor Voinovich, renewed their push for a charter program during the next legislative session in 1997. Instead of her earlier, far more ambitious proposal, Perz next suggested a pilot program for about 20 charter schools in her hometown of Toledo. Tacked on as an amendment to the \$32 billion state budget for 1998-99, the charter program passed into law in June 1997.³⁴ Republicans were not finished. A scant five weeks later, Republican lawmakers, led by Senator Eugene Watts, met privately to rewrite an education bill originally intended to raise graduation requirements. Conjuring images of smoke-filled backrooms, they inserted into the measure wholly unrelated language, which expanded charter schools to eight major cities in the state. Instead of a local school district or university having to

³⁰ **Note:** Mr. and Mrs. Brennan, Joseph R. Weber, and John Morris – both of the Brennan Industrial Group – all appear as trustees for the Hope schools. Weber and Morris later served as high-ranking members of Brennan's education company, White Hat Management. Weber and the Brennans are officers and managers for HCC.

³¹ Source: "Study Says Hope Students Lagging." *Akron Beacon Journal*. November 27, 1998

³² Note: The Ohio Assembly lists Perz as a registered lobbyist for Brennan's charter school management company, White Hat Management, LLC.

³³ Source: "OEA, GOP Make Deal in Senate." *Akron Beacon Journal*. March 26, 1996

³⁴ **Note:** As stated above, in the school voucher case the state Supreme Court ruled such a legislative maneuver unconstitutional.

approve a local community school, charter organizers could appeal directly to the State Board of Education (8 of 19 of whom were Voinovich appointees) to establish a school. Watts, as it turns out, received \$9,000 from David Brennan in 1995 and '96.³⁵ The refashioned bill, bearing little semblance to its former self, was deftly slipped through the General Assembly and signed into law in three days. Future legislation expanded the program in both size and scope. Schools were slated to open for the 1998 fall semester. In the blink of an eye, Ohio plunged headfirst into a statewide community school experiment.³⁶

Amid this heady rush of events, David Brennan positioned his education company to catch the charter tailwind and sail in front of the competition. Though perhaps not as publicly outspoken as he had been during the voucher fight, he threw his support behind the venture. He recognized that the legislature had placed a gift in his lap, one far more valuable than the voucher law. Community schools stood to receive between \$4,200 and \$5,500 in tax money for each student – double the per pupil allotment for his voucher schools.³⁷ Brennan moved swiftly to reap the windfall of education dollars from the state coffers. During the early months of 1998, as state education officials busily prepared to launch the first wave of community schools for the fall semester, Brennan's team, in the span of a week in early February, spawned a new company to run this charter enterprise: White Hat Management. The new company combined elements of Brennan's earlier education businesses. Like Hope for Cleveland's Children did for vouchers, White Hat served as a clearinghouse for the charter program, directing inquiring families to its schools. And just as HCC helped underwrite Brennan's Hope schools, so, too, did White Hat for future Hope charter schools. Most significantly, both collected management fees from their respective publicly funded schools. But unlike HCC, White Hat was a for-profit entity. In this respect, Brennan Learning Services paved the way for the charter company.

David Brennan's first education company set the mold for a profit-seeking enterprise tapping into public money earmarked for academics. Years before vouchers, Brennan created Brenlin Learning Services to address educational deficiencies of his factory employees. The company, run by his daughter Nancy, later broke off from Brenlin and reformed as an independent, for-profit entity renamed Brennan Learning Services in August 1990. The education company soon began pursuing other ventures. In the summer of 1991 it set up the non-profit organization A BetterWay of Life (ABOL), which offered classes to low-income adults via computer. By virtue of its non-profit status, it generated taxpayer funding and solicited public donations to subsidize its operations – upwards of \$3 million combined, according to a report from the *Akron Beacon Journal*. ABOL and Brennan Learning Services were deeply interconnected, sharing the same office building and the same attorneys from Brennan's then-law firm, Amer Cunningham Brennan. Additionally, ABOL paid Brennan Learning Services management fees of \$175,000 through 1993.³⁸ This served as a prototype for the formula Brennan used to great success to funnel public funds to his private enterprises, with a non-profit education body serving as the middleman. Of course, Brennan Learning Services was only child's play. White Hat Management later collected hundreds of millions of dollars from Ohio taxpayers.

³⁵ Source: Ohio Secretary of State, Campaign Finance data

³⁶ Source: "Lawmakers Aggressively Pushed for Charter Schools in Ohio." *Akron Beacon Journal*. December 12, 1999.

³⁷ Source: "Brennan's Charter Schools Approved." *Akron Beacon Journal*. June 10, 1998.

³⁸ Source: "Going Public." *Akron Beacon Journal*. April 1, 1996

Brennan and his associates drew upon these past endeavors when creating White Hat, a company that far surpassed its earlier incarnations in revenue, scope, and complexity. With their new company, they continued to add new wrinkles to their business model. One noticeable change is that White Hat and its subsidiaries are foreign companies, incorporated in Nevada. Additionally, the corporation is composed of a number of sister companies, or subsidiaries.³⁹ White Hat Ventures, LLC (WHV) emerged as the parent company, overseeing all the corporation's educational offerings. (A side note, WHV later merged out of existence in Nevada and joined a White Hat Ventures, L.L.C. incorporated in Delaware; its forwarding address, though, is Brennan's office in Akron.)⁴⁰ White Hat Realty (WHR), as the name suggests, functioned as the real estate arm of the corporation. It secured, either through purchasing or leasing, buildings and land for prospective charter schools. A month after its creation, WHR acquired the property located at 3845 131st Street from the Cleveland Diocese for \$100,000. The building would soon house the Hope Academy Chapelside Campus. Cuyahoga County property records revealed that the building's market value is \$978,900.⁴¹ The purchase was one of at least a half-dozen property arrangements between White Hat and the Archdiocese of Cleveland.⁴² After obtaining classroom space, WHR, in turn, collected a leasing fee from the charter school occupant. By August 2005, WHR's portfolio included 11 education-based operating units.⁴³ Finally, White Hat Management, LLC (WHM) – the most visible of all White Hat entities – handled the management and administrative duties of its ever-growing stable of charter schools and educational programs.⁴⁴ Brennan and other White Hat officials later added other branches to the corporate tree, including WHLS of Ohio (established in May 1999), NCLB Tutors, LLC (June 2004), Ihomeschool, LLC (December 2004), White Hat on Campus, LLC (March 2005), and various out-of-state endeavors, among others. Brennan and his lieutenants would eventually create a limited liability company for each of White Hat's charter schools.

Alongside erecting the management company, Brennan's team began submitting charter proposals to the state Board of Education for academies in Cleveland and Akron. In one proposal, Brennan sought to convert his daughter's private school, Interfaith Elementary, into a public charter. Such a conversion is illegal under the charter law. In a controversial move, Brennan closed the Akron-based Interfaith and reopened a new charter school on the same site. Opponents cried foul, and the state Board of Education sought a legal opinion

³⁹ Source: Nevada Secretary of State, Corporations. **Note:** Hope Realty (later renamed White Hat Realty) and Hope Academies (later renamed White Hat Ventures) filed Domestic Articles of Organization in Nevada on February 5, 1998. WHM incorporated in NV a week later, on February 12, 1998. According to these filings, WHM and WHR both list the same officer, a 500-SMC, LLC. This company is Ohio-based, incorporated on June 18, 2002; it's RA and incorporator is Lee S. Walko, a lawyer for Brennan, Manna & Diamond, LLC. WHV lists Joseph R. Weber as its officer. Weber has served as Vice President and CFO of Brennan Management Group, LLC and CFO of White Hat Management.

⁴⁰ Source: Nevada Secretary of State. The merger occurred on December 30, 1999.

⁴¹ Source: Cuyahoga County Auditor.

⁴² **Note:** White Hat reached leasing agreements with the Cleveland Diocese for buildings for two additional schools in the first group of White Hat academies launched for the 1998 academic year. The property at 1044 Brown St. in Akron – home to Hope Academy Brown St. Campus – is valued at \$1,698,020. The second building owned by the Catholic Church, where Hope Academy University Campus holds classes, is located at 47 E. State St.

⁴³ Source: "White Hat's education empire." *Akron Beacon Journal*. August 15, 2005 Monday.

⁴⁴ Note: White Hat Management, LLC was originally called HA Management, LLC before it changed to White Hat on July 27, 1998.

from state Attorney General Betty Montgomery. However, Montgomery, a Republican, had received thousands from Brennan in campaign contributions. Between 1996 and '98, the Brennans donated at least \$20,000 to the Attorney General. On April 9, the Board of Education green-lighted nine charter schools to begin operations in the fall; six were schools operated by White Hat. They passed despite complaints that Brennan's schools were not accessible to the handicapped, did not enroll teachers in the state pension plan, and did not comply with basic reporting required from public schools. A week later, Brennan cleared his final hurdle when Montgomery approved the conversion of Interfaith to a public charter school. The Department of Education refused to release the opinion, citing attorney-client privilege. The decisions met with disapproval from some groups. Ohio Education Association president Michael Billirakis claimed that Brennan's "objective is to open up this gold mine he sees called the public treasury. He wants to make money at the expense of children and we have no use for him."⁴⁵ An *Akron Beacon Journal* article at the time reported that White Hat intended to collect around 17 percent of state tuition fees the first year and up to 28 percent by year three.⁴⁶ Meanwhile, stories heralding Brennan's new charter schools noted that the schools intended to pay its teachers just \$19,000 annually, with \$300 raises each subsequent year. The other charter schools offered between \$24,000 and \$38,000 to their teachers.⁴⁷ At the time, the average salary for an Ohio teacher was more than \$38,000.

As they waited for approval, five White Hat charter schools, called Hope Academies, incorporated as domestic non-profits in Ohio – all five on the same day, June 5, 1998. In Akron, Brennan and his associates established the Hope Academy Brown St. Campus and Hope Academy University Campus (formerly known as Interfaith). In the incorporation documents for both Akron schools, the same individuals appear as board trustees, Virginia Robinson, Al Spalding, and Charles R. Parsons. The three White Hat schools based in Cleveland – Hope Academy Cathedral Campus, Hope Academy Chapelside Campus, and Hope Academy King-Kennedy Campus – again had strikingly similar boards. Lydia Harris, Christopher P. Hitchcock, James Allan Stubbs served as trustees for all three schools. Robert C. Townsend, II was a trustee for only King-Kennedy – later renamed Hope Academy Broadway Campus.⁴⁸ Townsend eventually served as board president for well over a dozen White Hat charter schools.

It is no coincidence that the same names appear in key positions again and again for White Hat-managed charter schools. Indeed, this trend only escalates over time, as White Hat's stable of charter schools grows larger. Brennan and his agents built White Hat and the Hope Academies side by side. Contrary to the original vision of Ohio community schools, at no point were the charter academies autonomous, decentralized institutions. Local citizens did not independently create the Hope Academies and then later hire White Hat. In fact, the opposite occurred; this was a top-down, corporate endeavor. Extensive newspaper coverage

⁴⁵ Source: "State OKs New School in Church Attorney General Says Closing Private Facility Technically 'Legal' Move." *Akron Beacon Journal*. June 17, 1998

⁴⁶ Source: "Brennan's Charter Schools Approved." *Akron Beacon Journal*. June 10, 1998.

⁴⁷ Source: "Brennan's Charter Schools Approved." *Akron Beacon Journal*. June 10, 1998.

⁴⁸ Source: Ohio Secretary of State, Corporations. Note: For King-Kennedy (Broadway), Cathedral, and Chapelside, Christopher Hitchcock served as sole incorporator. Roger D. Emerson signed as Registered Agent. Emerson is listed as the initial Registered Agent for all five of the original Hope charter schools, but Arthur L. Clements, III would eventually take his place as RA for these schools in November 1998. Virginia Robinson was the sole incorporator for the two Hope schools located in Akron.

throughout the state during the summer of 1998 frequently refers to the Hope Academies as Brennan's creation, hardly differentiating White Hat and the schools. This is accurate. In most cases, Brennan's White Hat team established schools and installed local (and sometimes not-so-local) front men as trustees of the schools, providing the illusion of autonomy. Not White Hat employees *per se*, the trustees commonly had ties and loyalties to Brennan. They were selected to rubber stamp all of White Hat's decisions regarding their respective schools, and the same individual might serve on a dozen charter school boards in many areas of the state. Examples of the trustees' involvement (or lack thereof) in the application process for a charter school exposed them as mere figureheads for White Hat. For instance, during the application process for one of Brennan's schools – the Life Skills Center of Cleveland – feedback from the Ohio Department of Education (ODE) "shows that White Hat, rather than any independent non-profit corporation, dominated the process."⁴⁹ Christopher P. Hitchcock was among the initial "developers" or trustees for this school.⁴⁹ He, along with Robert Townsend, and James Stubbs appear as the initial trustees for the school in its incorporation documentation. These are the individuals who allegedly controlled the school. Yet, during the application hearing the ODE noted:

... the developer [Hitchcock] intends to delegate via a contract the operation, administration and management of the school to White Hat LLC. All details of the intended school operations were provided by representatives of White Hat LLC. Mr. Hitchcock demonstrated only a peripheral awareness of the school's intended program, deferring to White Hat LLC all questions related to the program's details.

In some cases a developer did not even attend the application interview, with White Hat officials acting as representative in their stead. Section 2 will further detail some of the connections between White Hat and the charter schools' trustee boards.⁵⁰

The trustees' deference to Brennan's company was most glaring when the Hope Academies and White Hat drew up their management contract. The first school to negotiate a "consulting agreement" with White Hat was Eagle Heights Academy, based out of Youngstown. Heretofore unmentioned, Eagle Heights proved an early exception to the top-down structure that characterized Brennan's schools. A group of Youngstown-area ministers, as part of the Greater Youngstown Coalition of Christians, purchased an abandoned high school to provide sundry child and community services. After passage of the 1997 Ohio community schools law, the local ministers started a charter academy in the school building and organized their own board. Once independently established, they signed a three-year contract in July 1998 with White Hat Management, LLC as an outside management company. In accordance with the consulting agreement, Eagle Heights tapped into White Hat's register of educational resources and services, including: technology, consulting, advertising, liaison work with the Department of Education, special education programs, among others. For such services rendered, White Hat collected 10 percent of the school's qualified gross revenues and an additional 25 percent of excess revenues over expenditures. Additionally, the school paid White Hat a \$50,000 franchising fee for helping

⁴⁹ **Note:** Hitchcock now serves as the Geauga County Treasurer. Prior to this position he was the executive assistant to Fred A. Lennon, founder of Swagelok Co. based out of Solon, Ohio. As it turns out, Lennon gave \$20,000 to Hope for Cleveland's Children in 1996.

⁵⁰ Source: "Ohio Congress of Parents and Teachers et al. vs. State Board of Education." In the Supreme Court of Ohio. On Appeal from the Tenth Appellate District Court of Appeals. Case No. 03APE05 – 508

obtain a charter from the state Board of Education. For the 1998-99 academic year, the school paid White Hat \$328,358.⁵¹ In spite of the huge shift in money to White Hat, this was one of the rare occasions where the charter academy installed the proper checks and balances with Brennan's company. The autonomous school board had power over the private management company, not vice versa. The relationship ended badly. In 2000, the state auditor's office issued citations against the school for auditing lapses, citing instances where staff failed to produce receipts for reimbursements and inaccurately voided checks. Eagle Heights later severed ties with Brennan, terminating its White Hat contract on September 30, 2000.

A few weeks after White Hat inked its first contract with Eagle Heights, the company reached consulting agreements with the five other Hope Academies. The terms for all schools were identical. Indeed, many of the conditions were the same as the Eagle Heights contract: White Hat charged 10 percent of the academy's revenue; an incentive fee of 25 percent of excess revenue; and the one-time franchising payment of \$50,000. And Brennan's company took full advantage of the academies' compliant trustees to invent additional ways to scrape cream from the top of the cup. White Hat established a separate leasing arrangement for computers and technology, which one source initially valued at about \$20,000 a year.⁵² The agreement also required the school to fund an "advertising and recruitment program" at a rate of 3 percent of gross revenues. White Hat Realty, LLC also took a cut of the action, renting its buildings and facilities to the respective academies for \$48,000 a year, plus "6% of the School's annual gross revenues in excess of \$800,000." This is the same type of leasing arrangement a shopping center might negotiate with one of its tenant stores.

Just as Hope for Cleveland's Children helped subsidize Brennan's voucher schools, White Hat too advanced substantial sums of cash to its Hope Academies – between \$300,000 and \$525,000 loans to all five schools, bearing interest of 10 percent (double the federal bank's discount rate for most of 1998).⁵³ These loans were likely the Uniform Commercial Codes (UCC) filed by White Hat and the five schools on December 12, 1998 with the Ohio Secretary of State. In each statement, White Hat claims "all receivables and all cash" from the debtors; in essence, everything the schools own. More than a year later, two David Brennan-controlled entities provided loans to White Hat in which he claimed as collateral all receivables and all cash. In short, via a series of financing statements the non-profit Hope Academies indebted themselves to White Hat Management to terms in which WHM can claim all receivables and cash, and then White Hat subsequently indebted itself to David Brennan under the same terms. The trail of debt travels straight from the Hope Academies to

⁵¹ Source: Annual audits for Eagle Heights Academy from the Auditor of the State of Ohio.

⁵² Source: "Is Hope the Answer?" *City Beat*. Volume 5, issue 10; Jan. 28-Feb. 3, 1999.

⁵³ **Note:** According to their 1998 Audit Reports, Broadway has a \$300,000 Revolving Loan and Security agreement with White Hat Management, LLC to fund working capital and other operating needs. University, Chapelside, and Brown Street each took out \$500,000 loans from WHM, and Cathedral took a \$525,000.

David L. Brennan.⁵⁴ From the very beginning, Brennan exerted tremendous leverage over these so-called public charter schools.

Hammering the nail in the coffin of his voucher enterprise, Hope for Cleveland's Children provided \$50,000 grants to the five charter schools. In 1999 Brennan moved to convert two more of his Hope voucher schools into community schools. His own words speak volumes: "We were on the losing end of funding. With voucher schools, you only get half the money and you don't know if the funding is going to be there."⁵⁵ By 2002, a half-decade into the state voucher program, more than 2,000 fewer students attended private schools than before vouchers were instituted. "In effect, private schools – most of which are Catholic – this year will receive about \$7 million in new tuition aid to educate fewer children," the *Akron Beacon Journal* reported.⁵⁶

The White Hat business model raised eyebrows in some quarters. "What this tells me and tells the world is that this whole movement toward charters and vouchers and privatization is not about education opportunities for children – it's about making money," said William Phyllis, executive director of the Ohio Coalition for Equity and Adequacy in School Funding.⁵⁷ Of the Hope Academies, Tom Mooney, then-president of the Cincinnati Federation of Teachers, said: "The only thing public about them is the money." They consist of "one man running a for-profit business, a chain of schools. This is not what charter schools are supposed to be at all."⁵⁸ White Hat even inspired unlikely alliances of dissent, such as Akron-area union officials and school administrators voicing opposition to the charter company.⁵⁹ Brennan's supporters (and subordinates) rose in his defense, arguing that White Hat's relationship with its charter schools was perfectly normal. "Public schools contract services out all the time to for-profit companies," said John Morris, a White Hat executive.⁶⁰ "White Hat Management is in this to make money," David Zanotti said. "Brennan doesn't own the schools. Brennan owns the management company."

The latter part of Zanotti's statement was certainly true. The Hope Academies collected millions from the state, and White Hat cut itself a generous slice of the revenue.⁶¹ But the notion that each of these charter schools – Eagle Heights excepted – runs autonomously and independently contracted White Hat, just as a public school might hire the services of a private construction company, is specious. The very fact that all schools are

⁵⁴ **Note:** On February 11, 2000, Brenlin Holdings, Inc. and David L. Brennan Trust-1996 file four separate UCCs, one for each of the following White Hat entities: WHLS of Ohio, LLC, White Hat Management, LLC, White Hat Realty, LLC, and White Hat Ventures, LLC. Joseph R. Weber, David L. Brennan, and Lee S. Walko signed as the respective agents for White Hat Management, "David L. Brennan: Trustee," and Brenlin Holdings, Inc. A week later, on February 18, 2000, White Hat Realty, LLC files as a debtor a \$5 million mortgage with David L. Brennan Trust-1996 as the secured party.

⁵⁵ Source: "Union claims private schools unlawfully converted." *The Associated Press State & Local Wire*. October 21, 1999.

⁵⁶ Source: "Vouchers Boon for Private Schools." *Akron Beacon Journal*. February 19, 2002

⁵⁷ Source: "Voucher Schools May Change." *Akron Beacon Journal*. June 25, 1999.

⁵⁸ Source: "Is Hope the Answer?" *City Beat*. Volume 5, issue 10; Jan. 28-Feb. 3, 1999.

⁵⁹ Source: "Officials Challenge Brennan." *Akron Beacon Journal*. September 27, 1998.

⁶⁰ Source: "Is Hope the Answer?" *City Beat*. Volume 5, issue 10; Jan. 28-Feb. 3, 1999.

⁶¹ Source: Audit reports from the Ohio state Auditor. **Note:** For the 1998-99 school year, the State of Ohio paid Hope Academy Brown St. \$1,076,843, HA Cathedral \$1,198,440, HA Chapelside \$1,188,307, HA Eagle Heights, \$2,788,704. **Note:** During the 1998-99 school year, the two Akron Hope Academies paid \$547,000 to White Hat, according to *Akron Beacon Journal* reports.

named “Hope Academies” suggests the work of a strategic organization. Indeed, White Hat’s various subsidiaries originally were named Hope Realty, Hope Academies, and HA Management. Corporate structure aside, the servile trustee boards and the large loans, totaling millions of dollars, White Hat bequeathed to the Hope Academies undercut the independence of the non-profit charter school from its for-profit management company. White Hat, of course, saw a return on its investment many, many times over.

On August 25, 1998, amid a local media buzz, the two Akron-based Hope Academies opened their doors for the first day of school. The *Akron Beacon-Journal* covered the event and reported that Nancy Brennan oversaw the schools’ operations. Additionally, the paper noted that a combined 410 students enrolled in the academies and as a result “Akron Public Schools will lose 311 students and about \$1.34 million this year to the two community schools.”⁶² The Youngstown campus began as scheduled, and two academies in Cleveland – Chapelside and Cathedral – both started classes for the fall semester. Even as his schools launched under a cloud of contention, Brennan courted more controversy when, in June, he stated that his two Akron schools could not accept disabled children because the buildings were too old. A help agency for the disabled in September filed federal complaints against Brennan’s schools. The story continued into March of the following year when the *Akron Beacon Journal* reported that the complaint “has evolved into a federal investigation of Akron’s Hope Academy community schools and the Ohio Department of Education.”⁶³

Only a semester into his charter experiment, Brennan began eyeing expansion across the state. The new governor, Republican Bob Taft, introduced a state budget that called for the community school program to extend to all corners of Ohio – anywhere a school district is in a condition of “academic emergency.”⁶⁴ Charter operators, again, could bypass local school boards, which until this point had roundly rejected community schools. In April the state Board of Education approved 37 new charter schools. Meanwhile, state Department of Education tests showed that students at the two Akron-based Hope Academies performed academically well below their peers locally and statewide.⁶⁵ But Brennan continued to add more schools, and collect more state money. His team submitted proposals for at least a dozen additional charters. And by the 1999-2000 school year White Hat managed 12 community schools.⁶⁶

Making inroads to Cincinnati, Brennan teamed with Philip M. Heimlich, a member of the city council, to establish local schools. Heimlich spearheaded a local media campaign to drum up community support. White Hat Realty bought a building from the city Board of Education for a reported price of \$250,000. The new Cincinnati school, Hope Riverside Academy, incorporated as a non-profit in January 1999, had its charter approved in the summer, and readied itself for the fall term.⁶⁷ Brennan’s agents also launched another school

⁶² Source: “Charter Schools Make Debuts.” *Akron Beacon Journal*. August 26, 1998.

⁶³ Source: “HOPE ACADEMY INVESTIGATED.” *Akron Beacon Journal*. March 12, 1999.

⁶⁴ **Note:** The Brennan family has contributed more than \$60,000 to Taft since 1990, according to OH Secretary of State campaign finance records.

⁶⁵ Source: “Community School Pupils Get Low Marks.” *Akron Beacon Journal*. June 20, 1999.

⁶⁶ Source: “Charter Experiment Goes Awry.” *Akron Beacon Journal*. December 12, 1999; Source: “Brennan to Add For-profit Schools State Nears OK of 12 More.” *Akron Beacon Journal*. March 24, 1999.

⁶⁷ **Note:** Hope Academy Riverside was originally called Riverside Community School, Inc – it has also been identified simply as Riverside Academy. Its initial trustees were Phil Heimlich, Richard A. Weiland, and Pat Cambell. Heimlich served as both RA and incorporator.

in Cincinnati that year. But this second charter school differed markedly from the existing Hope Academies. Named the Life Skills Center of Cincinnati, the school was geared toward high school dropouts aged 16-22, providing a computer-based learning curriculum. Naturally, Brennan used this new education platform to siphon even more money from the state treasury. And over time, the Life Skills Centers, which White Hat planted all over the state, yielded far greater revenue than the Hope Academies. Finally, White Hat drafted a new contract with its two Cincinnati schools, one where nearly every dime of the schools' income passed straight to Brennan's company.

The Life Skills Center: 97% of School Revenue Goes to White Hat

David Brennan promoted his Life Skills Centers as a safety net for high school dropouts, catching those who slipped through the cracks in the public system. "We have an incredible problem in this country," he maintained. "The number of dropouts is huge – and we're doing almost nothing about it. I'd be the last one to say we have the solution, but at least we're trying." The Life Skills Centers did not resemble conventional high schools – gone were music and arts departments, sports facilities, a cafeteria, and a traditional classroom with blackboards. In their place were cubicles and computer terminals. An exposé by the *Plain Dealer* reported: "Life Skills students are getting on-the-job experience, unlike those in public schools, who may be sitting in a classroom all day or working in a school shop. [Brennan's] school requires two hours a day of work experience plus three hours a day in school – mostly at a computer – reaching academic skill levels that qualify them for a diploma."⁶⁸ Compared to public schools, the Life Skills Centers operated on a significantly reduced overhead.

As usual with Brennan's endeavors, stirring under a façade of altruism was a profit-seeking motive. The contract between White Hat and the Life Skills Centers departed dramatically from the existing contracts Brennan's company had established with the Hope Academies. The White Hat network created yet another sister company to execute this move. WHLS of Ohio, LLC (likely an acronym for "White Hat Learning Services") incorporated in Nevada on May 5, 1999.⁶⁹ This company eventually replaced (on paper, at least) WHM as the principal management vehicle for all of White Hat's schools. Indeed, by 2002, WHLS established a uniform contract with all Hope Academies and Life Skills Centers. Back in the summer of 1999, as White Hat prepared to open four Life Skills facilities – the Life Skills Center of Akron, Cincinnati, Cleveland, and Youngstown – WHLS crafted this new management agreement.⁷⁰ The 5-year contracts between the four Life Skills Centers and White Hat were nearly verbatim. And if Brennan's company scooped away generous handfuls of sugar in the earlier agreement, in the new one White Hat ran off with the entire bag. The arrangement required the school to pay WHLS a staggering 97 percent of qualified gross revenues, and all revenue and income generated beyond regular state

⁶⁸ Source: "Second Chance at School." *Plain Dealer*. November 1, 1999

⁶⁹ **Note:** The listed officers for WHLS of Ohio, LLC are 500-SMC, LLC and White Hat Ventures, LLC – both are based out of Brennan's 159 S. Main St. address in Akron.

⁷⁰ Source: OH Secretary of State; **Note:** Between July 26 and August 12, each of the new Life Skills Centers incorporate as domestic non-profits in Ohio. For LSC Cincinnati, Dennis Mathews, John Morris, and Pat Campbell serve as the initial trustees. Morris, you will recall, is a White Hat executive – a *clear* conflict of interest. For LSC Cleveland, Christopher P. Hitchcock, Robert C. Townsend, II, and James Allan Stubbs are trustees. For LSC Youngstown, Bruce Beard, Gary Frost, and Robert A. Stauffer serve that post. Finally, For LSC Akron, Al Spalding, Marco Sommerville, and Dean Perry are listed as trustees.

funding.⁷¹ Only a sliver was left to the school to cover trustee salaries and legal fees. In turn, WHLS incurred all costs “in providing the educational program at the school.”

Under this agreement, White Hat Management, *not the community school*, controlled the staff (including teachers), the equipment, the building – virtually every aspect of the school. And while the contract explicitly stated that WHLS was accountable to the trustees, we know that White Hat strategically defanged the board, rendering it complacent and compliant. Perhaps most suspect, White Hat effectively snuffed out the audit trail of public money to its schools. No longer a line-item audit as before, a straight rate of 97 percent went to White Hat. Once the money leaves the state coffers and passes through the community school directly to the for-profit management company, there is no way to determine how and where this money is spent. State Auditor Jim Petro failed to challenge this arrangement and assert the right to audit all expenditures of public funds; so did his successor Betty Montgomery, elected auditor in 2002. And the amount of state money funneled to White Hat was not trivial. During the 1999-00 school year, LSC Cleveland raked in \$1.02 million; LSC Cincinnati brought in nearly \$214K; LSC Akron collected \$1.51 million; and LSC Youngstown received almost \$755K.⁷² This increased dramatically over time – by 2005, the state of Ohio paid more than \$109 million to White Hat.⁷³

Finally, less than a year after opening his first batch of Life Skills Centers, Republican Senator Robert Cupp introduced a bill calling for extra funding for vocational schools – up to as much as \$2,900 more per pupil.⁷⁴ Life Skills qualified as vocational institutions. Indeed, Ohio audit reports for the White Hat schools expose the Life Skills Centers as the real cash cow of Brennan’s education empire. For example, during the 1999-00 fiscal year six Hope Academies (Eagle Heights the exception) cumulatively collected \$8,611,053 in state revenue. The following year the same schools brought in \$9,535,256, only a 10.7 percent increase. The Life Skills Centers, on the other hand, have shown much more robust growth. Over the same period, the four original Life Skills Centers saw their revenue jump from \$3,504,252 to \$7,896,423, a *125 percent increase*.⁷⁵ Again, 97 percent of this money passed straight to White Hat. Factoring in the low overhead to run the centers, it’s no coincidence, then, that henceforth Brennan created nearly three Life Skills Centers for every one Hope Academy. By 2004, Life Skills Centers corralled double the state funding as the Hope Academies.

Having constructed a successful business formula, White Hat began churning out charter schools at a breakneck pace. Alarmed at this rapid expansion, resistance to Brennan’s maneuvering began to foment throughout the state. Many union officials, local school board members, and educators voiced opposition to the runaway charter business. In April 2000 the state Board of Education approved 15 new charter schools, 14 of which were

⁷¹ **Note:** In the agreements for LSC Cincinnati, the monthly fee is 99%, rather than 97%.

⁷² Source: All information was extracted from the schools’ 1999-00 state audit reports.

⁷³ Source: “These schools sell education for profit.” *The Cincinnati Enquirer*. June 30, 2005.

⁷⁴ Source: “Charter Schools May Cash In.” *Akron Beacon Journal*. May 30, 2000.

⁷⁵ Source: Data compiled from audits from the Ohio Auditor’s Office.

White Hat-managed – three Hope Academies and 11 Life Skills Centers.⁷⁶ The vote to grant charters to Brennan’s schools, however, proved contentious. Early in the meeting, the Board voted 9-5 to delay approving the schools. But board member (and Taft appointee) Deborah Owens Fink – a former trustee of Brennan’s Hope for Cleveland’s Children and sister-in-law of Jeffrey Reed, a former president of Brennan’s BMR Development Co., muscled the approval through. Five board members walked out of the hearing in protest.⁷⁷ Following the state Auditor’s Office releasing its annual audit reports for the White Hat schools, the *Akron Beacon Journal* authored an incisive critique on the laxness in accounting for tax-payer money to the charter schools.⁷⁸ An editorialist wrote: “While public schools are being held to higher standards of accountability, the growing charter school movement appears to have virtually none.”⁷⁹

Aside from muddled accounting, others questioned the schools’ effectiveness as educational institutions: “three years after this miracle of free enterprise began, it might be argued that Ohio has merely recreated the troubles found in public schools – only with much worse results,” stated David W. Martin of the *Cleveland Scene*. “By and large, charter schools are poorly equipped, offer the lowest of teaching salaries, and have produced hideous results on proficiency tests.” Physical plants not up to code, falsified enrollment statistics, over-enrollment, a lack of proper equipment and facilities, poor bookkeeping, and sub par standardized testing were among the many problems cited as evidence of failing schools.⁸⁰ More stories followed reporting dismal test scores from Hope Academy and Life Skills students. The conflict between community school operators and those who saw a recklessly unregulated charter program boiled to a head in early 2001. In April, the Ohio Federation of Teachers (OFT) announced its intention to sue Ohio over its charter school program, arguing that it violates state law and the state constitution. Little over a month later, the OFT joined nine other groups filing the lawsuit at the Franklin County Court of Common Pleas. OFT President Tom Mooney stated that the community school idea “has been hijacked by entrepreneurs whose goal is simply to make a profit and by people who are ideologically committed to privatization for the sake of privatization.”⁸¹ The suit argued that “White Hat does all the hiring, spending, and policy making, keeping any money left over.”

A major lawsuit was not enough to stem the tide of Brennan’s enterprise. Through 2002 White Hat continued to add more schools to its roster. And in September, the boards for the Hope Academies approved a modification to their existing contract with White Hat Management, LLC. The revised agreement was identical to the Life Skills agreement with White Hat; 97 percent of the schools’ revenue goes to WHLS of Ohio, LLC and the

⁷⁶ Source: “White Hat Schools Approved.” *Akron Beacon Journal*. April 12, 2000; **Note:** Hope Academy Summit County Community School, Life Skills Center of Summit County, Life Skills Center of Hamilton County, Hope Academy Cuyahoga Campus Community School, Life Skills Center of Cuyahoga County, Life Skills Center of Lake Erie, Life Skills Center of Montgomery County, Hope Academy: Northcoast Campus Community School, Life Skills Center of Northeast Ohio, Life Skills Center of Greater Cleveland, Life Skills Center of Butler County, Life Skills Center of Southwestern Ohio, Life Skills Center of Clark County, Life Skills Center of Trumbull County.

⁷⁷ Source: “State Has New Battle for Control of Schools.” *Akron Beacon Journal*. April 17, 2000.

⁷⁸ Source: “Spending at Charter Schools Unchecked.” *Akron Beacon Journal*. August 11, 2000

⁷⁹ Source: “Charter Failures.” *Akron Beacon Journal*. February 8, 2002.

⁸⁰ Source: “New Yet Unimproved.” *Cleveland Scene*. January 4, 2001.

⁸¹ Source: “Education groups sue state over charter schools.” *The Associated Press State & Local Wire*. May 14, 2001

management company assumes responsibility for all day-to-day operations of the school. So by the 2002-03 school year, virtually every White Hat school worked under the same contract. The system remains intact to this day. Around this time White Hat also set up limited liability companies for each of its charter schools. For instance, for Hope Academy Broadway Campus, White Hat officials incorporated an HA Broadway LLC in Nevada on October 14, 2001. On that same day, White Hat created 21 other LLCs, representing their corresponding schools. Seven days later the 22 Nevada-based LLCs registered with the Secretary of State in Ohio as foreign companies. Additionally, as Hope Academies and Life Skills Centers sprouted up across the state the schools frequently registered “Trade Names” (an alternative name under which a company does business) with the Secretary of State. In many cases – the Life Skills Center of Butler Co., for example – WHLS of Ohio, LLC serves as the “Registrant” for the filing. Its business address is 75 E. Market St., Akron, OH 44308, the same address as Brennan’s law firm, Brennan Manna & Diamond, LLC. Again, we see that White Hat has a hand in virtually every aspect of its schools. Even in the paperwork it’s hard to tell where the non-profit school ends and the management company begins.

Then there is Lee S. Walko. A lawyer for Brennan, Manna & Diamond, LLC, he serves as Registered Agent (RA) and manager for numerous business entities of Brennan’s and his associates. A Registered Agent is an individual appointed by a corporation to accept legal documents on behalf of that entity. Additionally he serves as RA for nearly 30 of the limited liability companies assigned to a Hope Academy or Life Skills Center.

Yet even greater proof of his control over the charter academies, Brennan used several school buildings as collateral for multi-million dollar bank loans. Back in April 2000, White Hat Realty took out an “Open-End Mortgage” loan from the David L. Brennan Trust-1996 and Brenlin Holdings, Inc. for a \$5 million credit line. The mortgaged property consisted of two parcels: the first was the property housing Hope Academy Chapelside Campus at 3845 131st St., Cleveland, OH 44105; the second was the property housing the Hope Riverside Academy at 3320 River Rd. in Cincinnati. Essentially, Brennan loaned money to himself. Four and a half years later, however, Brennan filed a second mortgage on the properties, a \$2,648,000 loan from National City Bank. Brennan added an additional property as collateral: 12201 Woodland Avenue in Cleveland – home of the Life Skills Center of Northeast Ohio. The earlier loan to Brennan, himself, was subordinated to National City Bank mortgage. In the end, Brennan and his agents used properties housing community schools, which were acquired by an entity (WHR) subsidized by state money, to generate millions of dollars. Again, it is impossible to determine how and where the money is spent.

As Brennan’s company exerted ever-increasing control over his schools, Ohio legislators made it easier and easier for White Hat to set up new schools. In September 2001 Republican Representative Jon Husted introduced House Bill 364, called the Community Schools Enhancement Act, that permitted start-up charter schools to operate in any district in the state.⁸² The bill also proposed eliminating the authority of the State Board of Education to sponsor community schools two years after the effective date of the bill. No longer forced to appeal before the state Board of Education, prospective community school operators

⁸² **Note:** Ohio campaign finance records report that in one two-month period alone, November and December 2001, while the House was deliberating HB 364, the Brennan family contributed \$162,500 to GOP members of the House, all in \$2,500 checks (the maximum per cycle at that time).

turned to groups such as the Lucas County Educational Service Center and University of Toledo (via a group later renamed the Ohio Council for Community Schools) which had chartering authority in the very first legislation.⁸³ Sally Perz's daughter, Allison, assumed the position of executive director for OCCS. During the 2003-04 fiscal year she earned a salary of \$85,000. That year the organization also hired Sally as a lobbyist and paid her consulting firm, The Capitol Link, more than \$60,000 for its services.⁸⁴ In November 2001, the chartering group approved White Hat's online school, The Ohio Distance & Electronic Learning Academy (ODELA). In January 2002, teacher unions threatened legal action once again, claiming that ODELA violated numerous charter regulations.⁸⁵

By the 2002-03 school year, at least 24 Hope Academies and Life Skills Centers operated throughout the state. Nearly every school recorded a liability to WHLS, ranging from tens to hundreds of thousands of dollars in loans. State audits note that an identical board, comprised of the same individuals, runs eight White Hat schools. Many of these names appear on other Hope Academy and Life Skills boards as well. Cumulatively, the schools reported having instructed nearly 70,000 students. They received \$39.2 million from Ohio, and the schools purchased \$47.6 million in service expenses from WHLS. Hope Academy Broadway reported to the IRS having paid White Hat Management, LLC \$3,487,121 that year. The Life Skills Center of Akron sent \$4,002,030 to WHLS.⁸⁶ This does not even count other state and federally funded White Hat ventures, such as its distance learning academy. The *Plain Dealer* noted: "The greatest beneficiary of this de facto school privatization movement, educational entrepreneur David Brennan, will collect \$33,745,580 in tax dollars in 2003, according to the Ohio Department of Education."⁸⁷ During the 2003-04 fiscal year, the Hope Academies and Life Skills Centers together amassed more than \$66 million in state aid. Brennan, himself, acknowledged his company was profitable, although he won't say how lucrative.⁸⁸ While White Hat heaped state money by the truckload, damning reports trickled down from the Department of Education revealing substandard educational performance from Brennan's schools. A 2003 news article reported that Life Skills Centers graduate only 25 percent of their students. Additionally: "About 59 percent of all Cleveland public school fourth-graders passed their last state reading test, compared to 19 percent at Brennan-operated schools in the city. Fewer than 5 percent of Brennan's Cleveland sixth-graders passed the state math test."⁸⁹ Despite White Hat's history of poor results, Brennan's business model pushed forward unabated. Today, according to White Hat's website, the company runs 13 Hope Academies and 20 Life Skills Centers.⁹⁰ In less than a decade Brennan carved out a vast education empire, funded by Ohio taxpayers. Of course,

⁸³ **Note:** The Ohio Council for Community Schools (OCCS) initially was an appendage of the university's Board of Trustees. Allison Perz (daughter of Sally Perz) was brought on to run the chartering body. News reports cite the existence of TCSC as far back as February of 1999.⁸³ OCCS later spun off as an independent non-profit, although it retains ties to the university. Sally Perz, an employee of the university after she left the General Assembly, served as a lobbyist for this body and White Hat Management.

⁸⁴ Source: 2003-04 IRS form 990, Ohio Council of Community Schools.

⁸⁵ Source: "Charter school critics threaten legal action against online school." *The Associated Press State & Local Wire*. January 28, 2002.

⁸⁶ Source: IRS 990 filings for the 2002-03 fiscal year for Hope Academy Broadway Campus and the Life Skills Center of Akron.

⁸⁷ Source: "Charter schools work at public schools' expense." *Plain Dealer*. December 23, 2002.

⁸⁸ Source: Ohio Audit reports for the 2003-04 fiscal year; "Low scores smudge White Hat." *Plain Dealer*. October 12, 2003 Sunday.

⁸⁹ Source: "Low scores smudge White Hat." *Plain Dealer*. October 12, 2003 Sunday.

⁹⁰ Source: <http://www.whitehatmgmt.com/>

Ohio did not satiate Brennan. Always searching for the next deal, he began expanding his empire abroad.

White Hat beyond Ohio

On November 1, 2001 the *Akron Beacon Journal* article reported that White Hat was seeking to set up a Life Skills Center in Fort Wayne, Indiana. The venture would team White Hat with the Urban League of Fort Wayne, Ind.⁹¹ The endeavor likely fell through, because according to White Hat's website no Life Skills Center exists in Indiana, although it indicates that one will arrive imminently. This setback did not stop the company's advance beyond Ohio's borders. In May 2002, WHLS of Arizona, LLC filed Articles of Organization to operate as a Domestic Limited Liability Company in Nevada. One week later WHLS of Florida, LLC also registered with the Nevada corporations division. These entities likely served in the same capacity as WHLS of Ohio, LLC: the day-to-day management company for its respective in-state schools. At the present, there are WHLS companies for seven other U.S. states: Florida, Indiana, Michigan, New Mexico, Colorado, New York, and Washington, D.C.⁹²

White Hat established a WHLS in Colorado on December 10, 2002. A week earlier it won approval to start a Life Skills Center in Denver, Colorado. The center operated in the same manner as its Ohio counterparts: "Students spend four hours a day in school, one hour in a life-skills class and three in a 50-station computer lab, staffed by three teachers and two aides. Their progress is based on testing, not seat time, with as many as 12 or 15 tests a year."⁹³ The school opened for the fall semester in 2003. The following year The Life Skills Center of Colorado Springs announced its plans to enroll up to 300 students. The center was authorized and funded through Colorado Springs School District 11.⁹⁴ But just like in Ohio, cracks soon appeared in Brennan's enterprise. The *Colorado Springs Independent* reported on December 15, 2005 that a White Hat school based in the city, which District 11 approved two years earlier, "has earned the equivalent of an 'F' on its first state report card." The timing couldn't be worse. "The grade comes as the D-11 board prepares to consider a second charter application from the for-profit company that runs the school, White Hat Management."⁹⁵

Apparently news of the Life Skills Centers' low marks have not spread as fast as the centers themselves. White Hat, on February 9, 2004, announced plans to expand its charter operations in to Florida. Brennan's agents hoped to open six schools across the state.⁹⁶ In the fall of 2004 Polk County's board rejected a planned Life Skills Center because members did not believe it could earn a passing score in the state's assessment system.⁹⁷ Yet

⁹¹ Source: "Proposed charter firm controversial." Fort Wayne News Sentinel. November 1, 2001.

⁹² **Note:** WHLS of Florida, LLC incorporated in NV on 5/29/02; WHLS of Indiana, LLC on 9/23/03; WHLS of Michigan, LLC on 5/22/03; WHLS of New Mexico, LLC on 12/16/04; WHLS of New York, LLC on 3/31/04; WHLS of DC, LLC on 1/28/05. Each WHLS listed 500-SMC, LLC and White Hat Ventures, LLC as their "officers" in their NV Secretary of State filings.

⁹³ Source: "Getting dropouts back in school." Scripps Howard News Service. December 13, 2002.

⁹⁴ Source: "New Charter Public High School, Life Skills Center of Colorado Springs, Begins Enrolling Students." *PR Newswire*. May 14, 2004.

⁹⁵ Source: <http://www.csindy.com/csindy/2005-12-15/news.html>

⁹⁶ Source: "White Hat Management to Open Charter Schools in Florida." *PR Newswire*. February 9, 2004.

⁹⁷ Source: "Worries Don't Faze Charter School. *The Ledger*. February 17, 2005.

Brennan's education network continues to steadily grow outside Ohio. White Hat's website lists eight centers in Florida, five in Michigan, two in Colorado, one in Phoenix, Arizona. The site also indicates that locations will soon arrive in Texas, New Mexico, Indiana, New York, and Washington, D.C. A question remains: has White Hat used Ohio money, earmarked for the state's community schools to fund its ventures abroad?

Section 2: Brennan's Network of Trustees

The following section examines in greater detail some principal actors who play key roles in White Hat and its charter schools, and how their interconnections weave together Brennan's education network. The network includes White Hat officers, Brennan employees in his law offices and industrial ventures, and charter school trustees. As you will recall, Ohio charter school laws dictate that the community schools must operate as non-profit entities. Boards of Trustees for public charter schools were designed to govern their schools with autonomy. Instead, what emerges is a glaring interdependence of White Hat and the schools it operates. Indeed, on several occasions the federal government refused to grant non-profit status to White Hat schools because the boards of directors did not exercise authority and control over their operations. Each Hope Academy and Life Skills Center resembles a unit of a statewide corporation, rather than a local, independent school. The same people serve on numerous White Hat school boards. These individuals were chosen by White Hat to willingly green-light all of the company's policies regarding its schools. And many have direct or tangential relations with David Brennan. This section explores these relationships.

Charter School Trustees

As we noted previously, eight Hope Academies and Life Skills Centers have identical school boards, according to the most recent annual reports filed by the state Auditor's Office.⁹⁸ The trustees for these boards include: John C. Dawson, James E. Haynes, Bert Laurelle Holt, Ted Pappas, Jr., Marco S. Sommerville, James A. Stubbs, Robert C. Townsend, II, and Edward D. Wilkins, Sr. Townsend presides over all eight boards. Each of these schools is located in either Cleveland or Akron. Likewise, all of the aforementioned trustees live in one of the two cities. But the board makeup hardly reflects grassroots, community leaders for any given school. Marco Sommerville, for instance, must drive 40 minutes from his office in Akron up Interstate 77 to arrive at Hope Academy Broadway Campus. Edward Wilkins has to travel 45 minutes from his home in the opposite direction to reach Hope Academy University Campus. At least, however, in their cases they live in roughly the same part of the state as the school they represent. Some of the individuals listed above sit on additional boards for schools on the opposite side of Ohio. For instance, James Haynes also serves as a trustee for the Life Skills Center of Middletown (Butler Co.), 240 miles from one corner of the state to the other (Townsend and Wilkins also sit on the board).

Haynes, Townsend, and Wilkins reside on trustee boards for Life Skills Centers in Canton and Springfield. Bert Holt, a Cleveland resident, is a trustee for the Life Skills

⁹⁸ **Note:** The schools are: Hope Academy Broadway Campus, Hope Academy Brown St. Campus, Hope Academy Cathedral Campus, Hope Academy Chapelside Campus, Hope Academy Lincoln Park Campus, Hope Academy University Campus, The Life Skills Center of Akron, and The Life Skills Center of Cleveland.

Center of Youngstown. Robert Townsend serves as board president for at least 17 Hope Academies and Life Skills Center. Holt is a trustee for 14 schools; Wilkins for 16; Haynes for 17. Some regional hubs in the Brennan education network have different boards. But even in these cases, the schools are still dominated by the same faces. For example, in Cincinnati, Durwood Garland Rorie serves as board president for three Cincinnati-based White Hat schools. Howard L. Tomb also sits on the board of three Cincinnati schools, as does Dr. Cheri L. Westmoreland and Helena Martin. Stephen Boone controls the Columbus-area schools. In short, these board members are not neighborhood parents taking initiative to establish a local charter school. Instead, they are part of a coordinated, statewide business network, which has effectively consolidated dozens of schools and thousands of students under the control of a select few trustees. And many of these trustees have ties to Brennan and White Hat.

Robert C. Townsend, II

Perhaps the most integral member of White Hat's roster of trustees, Robert Townsend serves as trustee board president for at least 17 Hope Academies and Life Skills Centers. Currently, Townsend is president of the Oakwood Village City Council, serving as a Democrat. Prior to that he served on the board of the Cuyahoga Metro Housing Authority (CMHA) from 1988 to 2004; he was chair for several years. Through the years, Townsend has also been involved with various Cleveland-area charities and community groups, including the Western Reserve Revitalization & Management Co. – CMHA's non-profit development arm – and the Amistad Development Corporation – another non-profit providing housing repairs to area residents. Townsend served as an initial trustee for one of the original Hope charter academies, and his office has expanded markedly over the years. Evidence suggests, however, that this role is not limited to merely presiding over charter school boards. In some cases, he appears to act as an agent for White Hat, a clear conflict of interest. For example, on February 2, 2004 White Hat Realty, LLC and 3131 Euclid Corp. reached a leasing agreement, for a property located at 3121 Euclid Avenue in Cleveland. This building would eventually house Hope Academy High School. Two months later, on April 7, WHLS of Ohio, LLC, as acting representative for White Hat Realty, contracted Fiorilli Construction Co. to make building improvements for the Euclid address. In the April 7 contract document, Robert Townsend's name (along with his home address) appears as the representative for the building's lessee, WHLS. In this case, Townsend serves not as an official for the charter school, but instead as an agent for the *management company*. Again, lines that should clearly separate the state-funded charter school from White Hat have been blurred, if not erased.⁹⁹

Townsend also developed ties to another figure in Brennan's network; one who has recently gained great notoriety in the Cleveland area. During Townsend's long tenure on the CMHA, Cleveland-area lawyer **Ricardo Teamor** frequently served as the Housing Board's attorney, for which his law firm, Teamor & Associates earned upwards of \$1.4 million.¹⁰⁰ By 2002 Teamor began signing on as the incorporator and Registered Agent (RA) for a number of Life Skills Centers and Hope Academies. Teamor went on to act as RA for 10

⁹⁹ Source: Information gathered from the Cuyahoga Co. Recorder's Office; document number: 200404070174.

¹⁰⁰ Source: "CMHA legal counsel relieved of duties, chief says." *Plain Dealer*. June 16, 2004.

Hope Academies and Life Skills Centers.¹⁰¹ In January 2005 a federal grand jury in Cleveland charged Teamor, along with five others, for a wide-ranging public corruption and fraud scheme, including charges of conspiracy to commit racketeering (RICO), extortion and mail and wire fraud. The crime ring, which extended all the way to Texas, had been ongoing since at least the mid-1990s. A 2002 affidavit by FBI Agent Christine Oliver said of Teamor: an “informant described Teamor as ‘very slick’ and obviously ‘the brains behind the operation.’”¹⁰² In April, Teamor pleaded guilty, admitting that he bribed Cleveland city councilman Joseph Jones to win favors for his law firm and other enterprises. A judge sentenced him to serve four months in prison, four months of home detention, two years of supervised release, and pay a \$15,000 fine.¹⁰³ He began the sentence on October 31, 2005. A week later, on November 7, April N. Hart replaced Teamor as RA for eight White Hat schools. According to the Ohio Secretary of State’s corporation’s database, Teamor remains the RA of two Hope Academies – Columbus Campus and Summit County Campus.

Marco Sommerville

Sommerville sits on eight White Hat school boards in Akron and Cleveland. Currently the Akron City Council President, having served on the Council for more than a decade, Sommerville also owns a funeral services business. Additionally, he is a friend and business partner of **Anthony Manna**, a Brennan protégé. Manna, of course, is a partner in Brennan’s law firm – Brennan, Manna & Diamond – and has collaborated with his mentor on any number of business ventures. In Sommerville’s 2003 financial disclosure statements he notes having received gifts from Manna. More importantly, he lists a partnership in PCI Subordinated, a Manna development venture. Sommerville owned as much as 25 percent of the company. In 2000, Manna maneuvered to purchase a downtown site, located at 10 N. Main St. and called the Portage Center, from the city of Akron. It would house Manna’s Summa Health System. He used PCI as the purchasing entity for the property. The city originally intended to sell the entire site for a mere \$700,000. This deal raised eyebrows, because the city had originally purchased the site in 1994 for \$2.4 million from none other than David L. Brennan. The city eventually sold a section of the property to Manna for just more than \$400,000 to construct a new office building for Summa. Sommerville abstained from the vote. Three years later, after Sommerville filed his annual financial disclosure, an *Akron Beacon Journal* article exposed his interest in PCI – he also listed 10 N. Main St. in his real estate portfolio. In the article Sommerville claimed he had recently divested himself from the company. This is but one example of Sommerville’s questionable dealings with Manna. In 2000 another Manna-Sommerville partnership invited controversy when their company Signet Development Group asked the city of Akron for a \$100,000 loan. Also a member of Signet was John D. Helline – a one-time member of Hope for Cleveland’s Children and employee of the Brennan Industrial Group. Sommerville has abstained from voting on Manna and Brennan business proposals brought before the city council. And an

¹⁰¹ Source: Ohio Secretary of State; **Note:** The schools were as follows: Hope Academy Northcoast Campus, Hope Academy Summit Campus, Hope Academy Columbus Campus, Hope Academy Canton Campus, Hope Academy Cuyahoga Co. Campus, Hope Academy East Campus, Life Skills Center of Lake Erie, Life Skills Center of Middletown, Inc., Life Skills Center of Canton, Life Skills Center of Summit Co.

¹⁰² Source: “City for Sale.” *Cleveland Scene*. 2005-07-20.

¹⁰³ Source: <http://releases.usnewswire.com/GetRelease.asp?id=56854>

Akron Beacon Journal article from May 2004 noted that Sommerville and Manna continue to have business ties in Akron “building apartments on Cuyahoga Street.”¹⁰⁴

Theodore G. Pappas

When not acting as trustee for eight Life Skills Centers and Hope Academies, Pappas serves as president and CEO of the Sumner Organization, a non-profit, non-denominational organization that provides retirement homes and services in Akron. The organization includes several entities including the Sumner Foundation, Sumner Home for the Aged, Sumner on Ridgewood, Inc., and Sumner Properties, Inc. Brennan lieutenant **Joseph R. Weber** has played a significant role in this corporation. Numerous sources identify Weber as the CFO for White Hat Management, as well as holding other executive positions in Brennan’s financial empire, including vice president and CFO of the Brennan Management Group, LLC. Weber’s relationship with Sumner and Pappas dates back at least to the 1990s. Indeed, a 1997 Ohio Secretary of State filing establishing Sumner Properties shows Weber appearing alongside Pappas and Frederick S. Coms as an incorporator for the company. An IRS form 990 for Sumner on Ridgewood, covering the fiscal year 2003, lists Weber as a trustee and an “Immediate Past Chairman” for the non-profit. He held similar positions of leadership at Sumner Home for the Aged and the Sumner Foundation. Additionally, Sumner Home for the Aged hired Anthony Manna’s SummaCare as an independent contractor, paying the health company \$232,130 in 2003.

John C. Morris

Morris is better known as a White Hat executive, currently holding the position of president of New Development and Community Relations, but he too served as a trustee of a Hope Academy. According to the White Hat website, Morris joined the company in 1998. It’s odd then that when the Life Skills Center of Cincinnati incorporated as a non-profit in Ohio in *August 1999* Morris appears on the documentation as an initial trustee for the school. A half year earlier, in the midst of White Hat’s campaign to open schools in Cincinnati, Morris stated in a City Beat article that there was nothing unusual about White Hat’s relationship with the charter schools it manages: “Public schools contract services out all the time to for-profit companies.”¹⁰⁵ Yet here is a case of self-dealing. Morris serves as a trustee of the charter school and a White Hat executive at the same. A clear violation of the boundaries separating a public institution from a private, for-profit company, the question naturally arises of whose interest does he best serve.

Al Spalding

Like David Brennan, Spalding operates as an Akron-area real estate developer. Among the many companies and partnerships he has a hand in, he runs Spalding Associates, Inc. He also operates several companies out of an office located at 159 South Main St. in Akron – David Brennan’s company offices. While it is unclear whether Brennan and Spalding have partnered on any investment deals, a law brief brought before the Ohio Supreme Court challenging the state charter program alleges that Spalding has on at least one occasion worked as an agent for White Hat:

¹⁰⁴ Source: “PARKING-LOT LEASE OK'D AS FOE ABSENT.” *Akron Beacon Journal*. May 19, 2004.

¹⁰⁵ Source: <http://www.citybeat.com/1999-01-28/news.shtml>

The sublease between White Hat Realty, LLC and the HOPE-Brown Street Campus as “tenant” is signed not by any school board member but by “Al Spalding” listed as President of “HOPE Academy Brown Street Campus, an Ohio Non-Profit Corporation.” (Tr. Ct. Ex. GG.) Community school contracts of May 16, 2000 list Mr. Spalding’s business address as White Hat Management in Akron, Ohio. (2d Supp., S-1166-1176.) In other words, the school’s lease with White Hat Realty was signed by a White Hat agent, rather than any independent governing authority member.

Section 3: Timeline



Introduction

The following is a detailed timeline chronicling the birth and expansion of David L. Brennan’s education empire in Ohio. Additionally, the timeline highlights potential conflicts of interest among parties involved in Brennan’s education enterprises, and it explores White Hat’s corporate infrastructure, which includes the charter schools it manages.

Even before his foray into education, Brennan had a history of turning public funds into personal profit. Those in Akron are well acquainted with these practices. Beginning in the mid-1980s, Brennan’s real estate and development projects increasingly depended on government subsidies. The *Akron Beacon Journal*, wrote that at “the same time, records show a dramatic escalation in Brennan campaign contributions, often directed at those in key positions to help make the deals happen. It’s an escalation that mirrors this pursuit of public money for his projects.”¹⁰⁶

¹⁰⁶ Akron Beacon Journal, March 31, 1996 Sunday SPORT FINAL EDITION; BUSINESS; Pg. A1

Some significant items, which to the present are still not fully clear, include Brennan's business relationship to the Catholic Diocese of Cleveland. A number of White Hat's charter schools are housed in buildings owned by the church. What do the leasing agreements between the two entities reveal? Also, this timeline notes an instance where White Hat is using some of its school buildings as collateral for a multi-million dollar bank loan.

Many of the relationships – and perhaps business ties – between Brennan and the charter school boards remain unclear. Ricardo Teamor, a Registered Agent for at least 10 White Hat schools, was earlier indicted on federal RICO charges, among other crimes. He served as attorney for the Cuyahoga Metro Housing Authority – an organization formerly chaired by Robert C. Townsend, II, a board member of at least 17 Life Skills Centers and Hope Academies. Later, a 2004 recorded document from the Cuyahoga County Recorder's Office reveals a direct business link between Townsend and White Hat. Theodore (Ted) G. Pappas, a board member of at least eight charter schools, currently serves as president and CEO of the Sumner Organization, an organization that provides retirement homes and services in Akron – a company in which Joseph R. Weber, White Hat's CFO, formerly served on the board and as chair. There are clear ties that bind the Trustees to Brennan, however, there is still exists much to uncover.

End of Introduction

Timeline

- According to an interview with *The Cincinnati Enquirer*, Brennan claims his career as a voucher and charter school advocate took root in the 1970s:

"It started with learning centers in my companies. We bought manufacturing companies in the 1970s and '80s and discovered when increased automation of our factories began, many employees could not operate the computer-based control systems. The average reading and math skill of employees at our Spartanburg, S.C. plant in 1975 was fifth grade. We found the same situation in many parts of the country. We discovered that if we didn't educate them, we'd have to replace them. But we couldn't easily replace them because a huge percentage of people applying for our factory jobs also were under-educated. So we got into the education business.

The traditional classroom didn't work. We finally found a computer-based program that taught language arts and math. It worked for our employees and their families. Contrary to common wisdom, we discovered that the further you go down the academic achievement continuum, the more effective the computer is as teacher."¹⁰⁷

- In his manufacturing companies Brennan "found that 30% of his workers read below the fifth-grade level, and two-thirds were below that level in math. So Brennan

¹⁰⁷ Source: "Voucher king: Victor or villain?" *The Cincinnati Enquirer*. May 11, 2003.

installed computer teaching systems in factories making such things as brakes and stampings. [...] Brennan invited his employees -- and required deficient ones -- to use them. He calculates it will take three years, at two hours a week of company time, to get workers up to the eighth-grade competency he thinks necessary to boost efficiency.”¹⁰⁸

- A November, 1991, article from the magazine *Corporate Cleveland* noted Brennan’s burgeoning interest in school choice: “He is currently developing support for a statewide voucher system that would allow parents to send their children to any school they like, public or private. ‘We’ve lost two generations of youngsters,’ he says. ‘We’re losing a third. I’ve concluded that working with the present system is a waste of time.’”
 - The article also mentions a Republican fundraiser for then-gubernatorial candidate George Voinovich held at Brennan’s Akron estate in 1990. They raised \$500,000 dollars – 20 couples donating \$25,000 each. Among the party’s guests was then-President George H.W. Bush¹⁰⁹
- A profile done by *Mother Jones* magazine noted Brennan’s early involvement in school privatization efforts: “A longtime Republican contributor in Ohio, Brennan was appointed in 1992 by then-Governor George Voinovich to serve as chairman of the state Commission on Educational Choice. Under Brennan’s leadership, the commission recommended providing taxpayer-funded vouchers to students in private schools.”¹¹⁰
 - Gov. George Voinovich officially announced on June 24, 1992 the launch of the Governor’s Commission on Educational Choice. The new body held its first public meeting two days later – however the group had been holding private meetings since April. David L. Brennan was appointed chair of the 27-member commission. He kicked off the meeting by proposing a plan that “would give parents half of what their local public school spent per-pupil the previous school year as a “scholarship” to the school of their choice: public, private or parochial.”¹¹¹
- According to a story in the magazine *Church & State* (which was published in February of 2000), “educational choice” proponents – including Governor Voinovich and David Brennan – and the Catholic Church from the earliest stages were linked arm-in-arm, albeit surreptitiously, in pushing forward the voucher agenda. “No place is the Catholic leadership’s dealing and cash bonanza more evident than in the eight-year saga of a controversial state-funded school voucher program,” the article states. As Voinovich and Brennan, himself a Catholic, began assembling the Commission on Educational Choice, “Voinovich solicited from the bishops a list of names he gave Brennan as possible members of the choice commission.” In the meantime, “the Cleveland Diocese forwarded a report to Voinovich describing how 13 inner-city

¹⁰⁸ Source: “THE TRUTH ABOUT THE AMERICAN WORKER.” *Fortune*. May 4, 1992

¹⁰⁹ Source: “Akron’s Accidental Industrialist.” *Corporate Cleveland*. November, 1991.

¹¹⁰ Source: http://www.motherjones.com/news/special_reports/mojo_400/389_brennan.html

¹¹¹ Source: “Using Taxes For Private Schooling is Proposed.” *Columbus Dispatch*. June 26, 1992.

Catholic schools were costing the diocese \$1.2 million to keep open. The report said flight to the suburbs had left the inner-city schools with a disproportionately large concentration of poor children." Brennan, however, emphasized that the voucher movement must not have the controversial and constitutionally questionable "religious" label attached to it. The article reports an excerpt from a 1992 edition of the Cleveland Diocese's Catholic Universe Bulletin newspaper: "**While Brennan admits the voucher system would be an enormous boost for the Catholic schools," the author wrote, "he says, 'The death knell of the idea would be if it is identified as a Catholic movement. *The public distrusts all of this because of the religious involvement, but that is the very thing we have to restore to education.*'**"^{112*}

- **Note:** Brennan's relationship with the Cleveland Diocese in regard to education is reflected later on when many of his charter and voucher schools are housed in properties owned by the Cleveland Diocese.
- **Nancy Brennan*** (David's daughter) opens the Interfaith Elementary School in September of 1993. It begins with 10 students. The school is situated in a wing of St. Bernard Church; it was not affiliated with the church. During its opening, Brennan endorsed the school and also took a potshot at the public school system: "Public education, he says, is a 'government, monopolistic bureaucracy. Any government-run function will ultimately fail of its own weight,' he said. Just look at Eastern Europe, he adds."¹¹³ The school would close in the summer of 1998 and reopen as Hope Academy University Campus, a publicly funded charter school.
 - **Note:** Nancy Brennan would later run Brennan Learning Services.
- An October 6, 1993 article in the *Columbus Dispatch* reported that Sen. **H. Cooper Snyder** (R-Hillsboro) and Rep. **Michael Fox** (R-Hamilton) were working on a voucher bill with Brennan. The State Board of Education was among the many organizations opposed to the measure.¹¹⁴
 - The "Ohio Scholarship Plan," as the voucher bill became titled, was introduced in late 1993 and called for \$25 million over a two-year trial period, according to a February 6, 1994 article in the *Columbus Dispatch* (**House Bill 564 and Senate Bill 236**). According to language in the bill, "The value of the proposed vouchers would be 45 percent of total state and local money spent per student in a pilot district. In Columbus, for example, where state and local support is \$5,548 a student, a voucher would be worth about \$2,500." They hoped to have the legislation passed by 1995. A coalition called Citizens Against Vouchers formed to prevent the passage of the bills; the group was comprised of Ohio Parents and Teachers Association, Ohio Federation of Teachers, Ohio Education Association, Ohio School Boards Association and Ohio AFL-CIO. The article also noted that Brennan and **Arthur J. Kobacker** had recently established **Hope for Ohio's Children**, a pro-voucher advocacy

¹¹² Source: "OUTRAGE IN OHIO." *Church & State*. February 1, 2000

¹¹³ Source: "SCHOOL OPENS WITH 10 STUDENTS." Plain Dealer. September 7, 1993

¹¹⁴ Source: "Panel Against Using Taxes for School Vouchers." Columbus Dispatch. October 6, 1993.

group. Rep. **Patrick A. Sweeney** (D-Cleveland) was cited as another major voucher supporter.¹¹⁵

- An *Akron Beacon Journal* article from April 2, 1996 reported that Brennan contributed at least \$13,400 to Rep. Fox between 1992 and the first 10 months of 1994. Prior to these donations Brennan had not given to Fox since at least 1988, when records were first available to the [redacted] lic.¹¹⁶ Ohio Secretary of State campaign finance records indicate that David and his wife Ann gave an additional \$7,650 to Fox in 1996 and 1997.
- On April 14, 1994, **Hope for Ohio's Children** is incorporated as a non-profit in the state of Ohio. David L. Brennan is one of four initial trustees (also including Arthur Kobacker, Kevin J. Coughlin, now a state senator, and Mary Ann Jackson). Its principal address is 159 S. Main St., Akron, OH. Anthony S. Manna serves as the incorporator. The organization's mission includes, but is not limited to, "The advancement of education by engaging in nonpartisan analysis, study or research with respect to Ohio's public, private and religious schools and making the results thereof available to the public." This non-profit officially dissolved on December 30, 1998.
- The *Cleveland Plain Dealer* reported on October 15, 1994 that "Councilwoman **Fannie M. Lewis**, a Democrat from Hough, said she supports making Cleveland a pilot voucher district because poor parents need more choices in educating their children. She said she hopes to open a community school in her ward in which parents could pay for tuition through vouchers." **Thomas Needles*** – cited as an "executive assistant" to Governor Voinovich – stated: "the governor supports the idea of experimenting with a voucher pilot program. The governor's opinion is that we will never truly know if voucher plans are effective unless we try them," Needles said."

- **Note:** More on **Thomas F. Needles**

From 1993-98 Needles was Governor Voinovich's Senior Advisor on all matters related to education policy. Needles worked closely with David Brennan (Hope/Cleveland & White Hat Management) as the state implemented its voucher and charter school programs.

In January 1999, Needles was nominated by Lieutenant Governor Nancy P. Hollister and confirmed by the Ohio Senate as Chairman of the Ohio Higher Educational Facility Commission.

After Voinovich's term expired, Needles left public service and launched the consulting firm, Statecraft, Inc., in December 1998, which was based in Columbus, Ohio.

Needles becomes a spokesperson for David L. Brennan some time during 1999. This relationship came under major public scrutiny in a series of December, 1999 news articles. A December 13, 1999 Beacon Journal article stated that Brennan hired [Needles] as a lobbyist within days of leaving Voinovich's office."¹¹⁷ Needles' public

¹¹⁵ Source: "VOUCHER BACKERS EYE 1995." Columbus Dispatch. February 6, 1994.

¹¹⁶ Source: "SHAKY FOOTING ON HOME GROUND BRENNAN CHAMPIONS SCHOOL VOUCHERS IN STATE AS RIFTS DEVELOP IN AKRON." *Akron Beacon Journal*. April 2, 1996

¹¹⁷ "DID FORMER AIDE'S ROLE CROSS LINES?" *Akron Beacon Journal*. December 13, 1999 Monday 1 STAR EDITION.

service under Voinovich ended Dec. 28, 1998, and Ohio law prohibits a person from lobbying for at least a year on issues in which he or she had some role as a state employee. Needles, to this day, continues to serve as a spokesman and lobbyist for Brennan and some of his business entities.

He currently serves as a registered lobbyist for Brennan's White Hat Management education company.

In 2000 Mr. Needles founded Children First Columbus – an affiliate of Children First America, which eventually evolves into the Alliance for School Choice – a nonprofit foundation that has awarded more than 400 educational scholarships to low-income Columbus families.

Board member of the **Ohio Charter Schools Association**; he was the Secretary/Treasurer for the OCSA in 2002; he is the current secretary and vice chair of the organization.

On November 15, 2004 – Needles helped launch **Voinovich, Needles & Dalton, LLC** (VND), a public affairs consulting company to be headquartered in Columbus with offices in Akron, Ohio. (**George F. Voinovich**, the former governor's son and partner in Needles' consulting firm, is a member of Brennan's law firm, Brennan, Manna & Diamond, LLC). Among their clients is Wal-Mart.

- The Ohio legislature passed a \$5.25 million school voucher pilot program for the city of Cleveland as part of the \$33 billion state budget for 1995. According to an April 7, 1995 article in the *Plain Dealer*, “The issue inspired vigorous debate, with Republicans, such as Rep. **Edward F. Kasputis** of Olmsted Township, citing Cleveland Mayor **Michael R. White**'s support for the concept.” During the debates, Republicans overrode Democrats attempts to remove the program from the budget. The program was to be started in September of 1996.¹¹⁸ The program was signed into law by Voinovich. Children in grades K-3 would qualify for the voucher. It would later be called the **Cleveland Scholarship and Tutoring Program**.
- On May 30, 1995, **The Cleveland Private School Fund** is incorporated as a non-profit in the state of Ohio – four months later the non-profit's name changed to **Hope for Cleveland's Children**. Its principal address is 159 S. Main St., Akron, OH. Joseph F. Cook, Jr. serves as the incorporator and Registered Agent. According to the filing, its purpose “shall include, but shall not be limited to, the promotion of private education within the city of Cleveland.” Brennan's name does not appear on the documentation. According to the organization's 1996 IRS tax form 990 (covering the fiscal year July 1, 1996 to June 30, 1997), its starting revenue was \$57,825.
 - “Trustees of this new Brennan entity include Deborah Owens; John Helline, vice president of business development for Brennan's BMR Development; and Nancy Osborne, office manager of Brennan Learning Services, the for-profit educational concern headed by Brennan's daughter.”¹¹⁹

¹¹⁸ Source: “House OKs State Budget; School-Voucher Plan Included.” Plain Dealer. April 7, 1995

¹¹⁹ Source: “Shaky Footing on Home Ground Brennan Champions School Vouchers in State as Rifts Develop in Akron.” Akron Beacon Journal. April 2, 1996

- Hope for Cleveland's Children was created "to answer questions, distribute applications and otherwise assist parents interested in securing a voucher to send their child to a private school," according to an *October 17, 1995 Plain Dealer* article. The voucher program was now cited as having funding of \$5.5 million. The Ohio Department of Education will administer the plan. The state will provide children with "vouchers worth up to \$2,225 to help pay for tuition to a participating, nonpublic school of their choice in Cleveland or an abutting school district. The vouchers will be awarded by lottery, but preference will be given to children from low-income families."¹²⁰ The program reportedly initially covered about 1,500 students.
- In the spring of 1995, according to the *Beacon Journal*, "the Summit County Board of Education shocked the local education community by passing a resolution in favor of placing vouchers on the ballot. [...] The move was led by board President Deborah Owens,* who is the sister-in-law of Jeffrey Reed, then-president of Brennan's BMR Development Co."¹²¹
 - **Note:** Owens was Secretary of Hope for Cleveland's Children.
- Some time before December 1995, **Bert Laurelle Garrett Holt** (Bert Holt) was appointed administrator of the Cleveland voucher program.¹²²
 - She also served on the Ohio School Choice Committee, a project of the Ohio Roundtable, which was run by **David Zanotti** – Thomas Needles, David Brennan, **Taunya Young**, **Phil Heimlich**, and **Ken Blackwell** also served on the committee.
 - Holt would later serve on the board of trustees for more than a dozen David Brennan charter schools.
 - A report by the *Beacon Journal* questions possible undue influence and conflicts of interest regarding Holt and Brennan during her tenure as chief executive of the Cleveland voucher program. The following is an excerpt from that article:

Officially, the director of the Cleveland Scholarship and Tutoring Program was **Bert Holt**, a retired Cleveland public schools administrator chosen by the Ohio Department of Education.

While Holt was supposed to report to the department, phone records and other communications obtained by the Beacon Journal show that she worked closely with Brennan and Needles, the governor's chief aide for education.

The other key state employee was Francis Rogers, a department researcher in Columbus who was responsible for designing the voucher application process and a lottery to select the winners.

¹²⁰ Source: "HOPE'S VOUCHER OFFICE OPENS." *Plain Dealer*. October 17, 1995.

¹²¹ Source: "SHAKY FOOTING..." *Akron Beacon Journal*. April 2, 1996

¹²² Source: "Deadline is Monday to Apply Cleveland Tuition Vouchers." *Plain Dealer*. December 28, 1995

Rogers wrote to his boss that something appeared to have gone wrong in Cleveland during the first lottery. He said it appeared that poor children whose names had been selected in the lottery may have been passed over for higher-income children.

He was surprised to hear about memos from Brennan to the governor's office suggesting how the lottery should be run and that he should be guaranteed access to children who were not in poverty.

In one correspondence, Brennan said his new nonprofit organization, Hope for Cleveland's Children, "should be given a printout of the scholarships (recipients) chosen so that we can assist people who will be calling in asking questions . . ."

It was an interesting request, Rogers said recently, considering Brennan was planning to open schools exclusively for voucher students. The names of lottery winners would make it easy for him to recruit customers.

Brennan also made it clear he did not want his schools to be stuck with nothing but poor children.

"The worst result I can imagine is that the new schools would be staffed completely with low-income students," he told Needles in writing. "The mixture of low-income and higher-income students is essential to the success of new schools."

Brennan got his way.

A few months into the first school year, then-Ohio school Superintendent John Goff changed the rules to allow families earning twice the rate of poverty -- as much as \$22,000 in a single-parent family with one child -- to be eligible.¹²³

- As the deadline neared for parents to apply for vouchers, the *Plain Dealer* reported on November 18, 1995 that applications were available "from the Ohio Department of Education office in the Frank J. Lausche State Office Building, 615 W. Superior Ave. or at the office of HOPE for Cleveland's Children, 7609 Euclid Ave."¹²⁴
- A January 10, 1996 article in the Akron Beacon Journal reported that the American Federation of Teachers sued to block the pilot voucher program in Cleveland.¹²⁵
- Bert Holt's office overseeing the vouchers, according to a *Plain Dealer* story from February 20, 1996, accepted into the scholarship program the Hope Academies David Brennan intends to form.¹²⁶
- In early 1996, Ohio Rep. **Sally Perz*** (R-Toledo) introduced a charter school bill that proposed the creation of up to 400 publicly-financed, privately-run schools throughout Ohio.¹²⁷ The bill, however, died in the Senate after having cleared the House.

¹²³ Source: "David Brennan's White Hat Management Changes the Way Business, Politics and School Vouchers Mix." *Akron Beacon Journal*. December 13, 1999

¹²⁴ Source: "SCHOOL VOUCHER DEADLINE NEARS." *Plain Dealer*. November 18, 1995

¹²⁵ Source: "Union Plans to File Suit Blocking Vouchers Pilot Program Set to Begin in the Fall in Cleveland Schools." *Akron Beacon Journal*. January 10, 1996

¹²⁶ Source: "OPPORTUNITY RINGS A SCHOOL BELL." *Plain Dealer*. February 20, 1996.

¹²⁷ Source: "OEA, GOP MAKE DEAL IN SENATE." *Akron Beacon Journal*. March 26, 1996

- Undaunted, pro-charter legislators renewed their push for a charter program during the next legislative session in 1997.¹²⁸
- Instead of her earlier, far more ambitious proposal, Perz next suggested a pilot program for about 20 charter schools in her home town of Toledo.¹²⁹
- The proposal was enacted as part of the 1998-99 state budget. According to the *Columbus Dispatch*, “It allows individuals or groups to establish up to 20 schools and to convert any number of existing schools in Lucas County. Each would be eligible for up to \$ 150,000 in start-up costs.” Additionally, the law expands the program beyond Lucas County to “[convert] public schools anywhere in the state to community schools. The budget bill also included this language but did not provide any money for converting schools outside Lucas County.” The new charter schools would be known as “community schools.”

More excerpts from this January 5, 1998 Columbus Dispatch article:

Would-be founders of a converted school must get the approval of the appropriate school board.

For eight big-city school districts, including Columbus Public Schools, Senate Bill 55 - approved in August - said interested parties can start community schools from scratch rather than converting buildings.

Start-up schools also must get a public sponsor, but if the local school board refuses to be the sponsor, the founders can turn to the State Board of Education or any school board within the same county as the big-city district.

Contracts between community school founders and their sponsors can be for up to three years and are renewable. Sponsoring school districts can terminate the contracts if the community school doesn't meet their terms.

Contracts can be terminated only with written notice and at the end of a school year.

Other than the Lucas County pilot schools, community schools would be funded mainly by the state per-pupil allotment that follows children to whatever public school they attend.

So far in the Lucas County pilot project, all of seven community-school applications submitted to the Toledo Board of Education have been rejected, she said, but they were later approved by the Lucas County Educational Services Center (formerly the county board of education), which has approval authority in the pilot program.¹³⁰

- Note: After leaving the Ohio Legislature in 1999, **Sally Perz** began working for the University of Toledo as Executive Director of Government Relations. Perz serves as a registered lobbyist in Ohio for White Hat Management; K12, Inc.; the University of Toledo; and the **Ohio Council of Community Schools** (OCCS) – the charter-granting non-profit affiliated with the University of Toledo. Her daughter, **Allison**

¹²⁸ Source: “Budget, School Funding to Occupy Lawmakers in 1997.” *Columbus Dispatch*. January 1, 1997

¹²⁹ Source: “Education at the Top of Voinovich’s Agenda.” *Plain Dealer*. January 7, 1997.

¹³⁰ Source: “Districts Asked to Give Independents Space.” *Columbus Dispatch*. January 5, 1998.

Perz, would later become the chief executive of the Ohio Council of Community Schools. Sally runs a consulting firm called The Capitol Link, LLC. She's also the Agent/Contact Name for Monroe-West, LLC and Leadership Academies of Ohio, LLC.

- March 31, 1996 begins the first of three articles by the *Akron Beacon Journal* on David Brennan's questionable business practices and his initial forays into the field of education.

Below are some highlights from the first article, a nearly 8,000-word exposé exploring Brennan and his deal-making in Akron:

- **Regarding his personality:**

"Brennan's publicly stated social passions -- such as downtown redevelopment and educational reform -- have become so deeply intertwined with his private business interests in recent years that it has become difficult, even on close examination in some cases, to tell where his profit motives begin and his civic motives end."

Brennan is just as frequently described as a crude, willful bully who routinely yells at the people he works with, who deliberately uses his size, explosive temper and booming voice to intimidate friend and foe alike, and who often simply tries to bulldoze those standing between him and what he wants. [...] "He's an abusive sonovabitch," said one businessman who has seen Brennan in action in several real-estate deals and has watched him browbeat associates when things didn't go well. "You want to have some people between you and him."

- **Regarding falling-outs with former colleagues:**

It is this in-your-face, my-way-or-the-highway David Brennan who has left behind a string of former adversaries and former associates who, months or years later, are still scratching their heads and wondering what hit them. [...] "It was a blessing in disguise that our partnership ended and one hell of a learning experience about alternative business dealings," said Anthony Rodriguez, a developer and one-time partner with Brennan who came to believe, according to a lawsuit he filed and later settled, that he was improperly relieved of his partnership interest in the former Portage Hotel property downtown.

- **Regarding Brennan's practices as a tax lawyer:**

Early associates consider him a local pioneer, not only in the formation of medical corporations for his doctor-clients -- with all the estate- and income-tax benefits that came with the corporations -- but also in the use of limited partnerships as tax shelters for the wealthy. [...] Even several of the larger Brenlin acquisitions, including the largest -- the 1985 acquisition of Gulf States Steel, which doubled the size of the holding company -- used limited partnerships in ways that suggest that sheltering income from taxation was integral to their success as well. [...] "Brennan knows the tax code backwards and forward," said an insider familiar with many of the Brenlin deals. "And if there was an advantageous way to set up a deal, as far as taxes were concerned, that did not handicap the company, then it was set up that way."

- **Regarding his increasing reliance on public funds:**

A lawyer specializing in tax law, Brennan carved out much of his early wealth with the aid of tax shelters for his various business entities. That changed when the federal government cracked down on these practices in the mid-1980s. After these reforms he began to increasingly rely on public money to subsidize his business enterprises. According the *Akron Beacon-Journal*, “Brennan declined to discuss his business strategy in the post-tax-reform climate of the late 1980s and early 1990. However, he pointed out that there is nothing wrong with using vehicles such as tax-free government bonds and income-tax credits to further community development.

Whatever Brennan's motivation, his increasing reliance on public subsidies in the aftermath of the 1986 tax reform is hard to ignore.”

- **Regarding his early political contributions:**

In 1988, local Republicans named Brennan a delegate to the Republican National Convention in New Orleans. That year, he became one of only 250 Americans to give at least \$100,000 to the national GOP on behalf of George Bush -- joining the exclusive political club called Team 100.

Over the next three years, Brennan converted himself from a relatively modest political giver to the most generous individual contributor to the Summit County Republican Party. From 1988 through 1990, he gave the local GOP more than \$100,000, three times as much as the No. 2 contributor.

Brennan gave at least \$120,000 to George Voinovich's successful gubernatorial campaign in 1990,¹³¹ and raised far more.

In the Following article, the *Beacon Journal* on April 2, 1996 published a piece examining, among other things, his newfound interest in education. Below is an excerpt:

- Brennan has been able to parlay that influence in Columbus into policy changes that already are affecting the expenditure of millions of taxpayer dollars. And those changes eventually could have a dramatic impact on the educational future of thousands of public-school students and their families in Akron and across Ohio.

And just as he did while proclaiming his altruistic motives in downtown redevelopment, Brennan has positioned himself and those close to him to profit from the public-policy changes he has influenced.¹³²

The final article is a piece questioning potential conflicts of interest and self-dealing of Brennan and his business partner Anthony Manna during the Canton-Akron Indians stadium deal.¹³³

¹³¹ Source: “Big Man in Akron Businessman David Brennan Has Shaped His Hometown.” *Akron Beacon Journal*. March 31, 1996

¹³² Source: “SHAKY FOOTING...” *Akron Beacon Journal*. April 2, 1996

¹³³ Source: “Stetson One of Brennan’s Many Hats / Penchant for Multiple Roles in Deal Can Raise Eyebrows.” *Akron Beacon Journal*. April 2, 1996 Tuesday

- In the spring of 1996, Brennan and his agents establish several “Hope” voucher schools in Cleveland. **Hope East 53rd Street Academy** (later called **Hope Central Academy**) is incorporated on April 9, 1996; **Hope Bridge Avenue Academy** is incorporated on May 3, 1996; **Hope Ohio City Academy** (later called **Hope Tremont**) is incorporated on May 31, 1996. In each case **Joseph F. Cook, Jr.*** serves as the incorporator. Ann Yarman is the Registered Agent for Hope Bridge Ave.; Cook is the RA for Hope Central and Hope Ohio City. At the Tremont Academy, **Lee S. Walko*** serves as one of the school’s initial trustees. In the media coverage of these new voucher schools, an additional Hope school is mentioned: **Hope Cedar Avenue Academy**.
 - **Note:** Joseph F. Cook, Jr. is a lawyer for Amer Cunningham Co. LLP (Formerly known as Amer, Cunningham & Brennan).
 - The law offices operate out of **159 S. Main St., Akron, OH 44308**. The building was owned by a David Brennan holding company and also serves as Brennan’s business headquarters. The company was formerly known as Eighty West Corp.; on December 31, 2000 it merged into **Brennan-80 West, LLC**. Currently it is owned by **159 Associates Ltd.** – its Registered Agent is Andrew R. Duff, a lawyer and Vice President for Amer Cunningham Co. LPA (Brennan’s former law firm). The building’s management company is **Bowery Management, Inc.**, with Duff also serving as Registered Agent.
 - **Note:** Lee S. Walko serves as an attorney for David Brennan’s current law firm, **Brennan, Manna & Diamond, LLC**, which operates out of the address: **75 East Market Street, Akron, Ohio 44308**
- In the IRS tax form 990s for the 1997-98 school year, David Brennan and Nancy Brennan are listed as trustees for both Hope Central and Hope Tremont. **Joseph R. Weber*** serves as a trustee for Hope Central.
 - **Note:** Joseph R. Weber is the Vice President and CFO of Brennan Management Group, LLC; he is also the CFO of White Hat Management. Both entities are based out of 159 S. Main St., Akron, OH 44308
- Hope for Cleveland’s Children (HCC) receives \$750,000 from the **Walton Family Foundation** – accounting for *more than 75 percent* of its start-up revenue – according to its 1996 IRS 990 tax form. The form also identifies Mr. & Mrs. David L. Brennan as “foundation managers.” Additionally, HCC gives \$218K and \$102K respectively to Hope Central Academy and Hope Tremont Academy. However, HCC turns around and collects \$123K in “Management services to operate two tax-exempt Hope Academies established to serve participants in the Cleveland Scholarship Program.” Here is where Brennan first establishes his education business model. He creates two separate (but co-dependent) entities – both controlled by Brennan – where one functions as a state-funded, non-profit school and the other serves as a “management company” which receives money from the school via management fees. In this case, the management company (HCC) is a non-profit body. This will shortly change.
- June 25, 1996, case dealing with constitutionality of vouchers begins in Franklin County Common Pleas Court.

- August 1, 1996, the voucher plan is ruled constitutional; the Ohio Federation of Teachers plans to appeal the ruling.¹³⁴ Nearly a year later, on May 2, 1997, the 10th Ohio District Court of Appeals overturns that decision, ruling the vouchers unconstitutional.¹³⁵ Despite the ruling the “Majority Republicans in the Ohio Senate said yesterday they will continue funding vouchers despite a court ruling that the \$5.5 million pilot program in the Cleveland school district is unconstitutional,” the *Columbus Dispatch* reported.¹³⁶
- August 29, 1996, Hope Ohio City Academy and Hope Central Academy open their doors, with 81 and 236 pupils respectively.¹³⁷ By January of 1997, the *Plain Dealer* reports that Central now has 272 students. Additionally, “About 55 parents have withdrawn from the HOPE schools, nearly half because of complaints about transportation or curriculum.”¹³⁸
 - Brennan, in a December 1997 statement delivered before U.S. Congressional Subcommittee on Oversight and Investigations of the Committee on Education and the Workforce, offered statistics for his early HOPE voucher schools: “I am the founder of the HOPE Academies in Cleveland. The HOPE Academies were organized to educate scholarship students under the Cleveland Scholarship and Tutoring Program. In the 1996-97 academic year, the two HOPE Academies served 345 children. In the 1997-98 academic year, the three schools will serve about 475 children. In the current year, children are in Kindergarten, 1st, 2nd, 3rd and 4th grades, with the intention of adding a grade each year through 8th grade.”¹³⁹
- According to his bio for the 2004 Akron Business conference, in 1997 Brennan received The (Ohio) Governor's Award for his unique contributions in the field of education.¹⁴⁰
- A January 17, 1998 article from the *Plain Dealer* noted that the first standardized tests for two Hope voucher schools were inadequate in comparing progress against other schools:

“A long-awaited study of the Cleveland tuition voucher program will lack data that state education officials acknowledge is key to analyzing the program's progress.

The study, being conducted by researchers at Indiana University, will not compare test results from two Hope Academy schools with results from other schools because

¹³⁴ Source: “Cleveland Voucher Plan is Ruled Constitutional.” *Akron Beacon Journal*. August 1, 1996

¹³⁵ Source: “Court Says Vouchers Violate Law Appeals Judges Rule Cleveland Program That Gives Money For Parochial Education is Unconstitutional.” *Akron Beacon Journal*. May 2, 1997

¹³⁶ Source: “Voucher Fans Get Good News From Legislature.” *Columbus Dispatch*. May 21, 1997

¹³⁷ Source: “EXPERIMENT BEGINS: VOUCHER SCHOOLS OPEN.” *Plain Dealer*. August 29, 1996

¹³⁸ Source: “VOUCHER SCHOOL'S HOPEFUL START.” *Plain Dealer*. January 22, 1997.

¹³⁹ Source: “Testimony September 12, 1997 David L. Brennan, Founder Hope Academies House Education and the Workforce Oversight and Investigations Education at a Crossroads – Field Hearing Cleveland, Ohio.” Federal Document Clearing House Congressional Testimony. September 12, 1997, Friday.

¹⁴⁰ Source: <http://www.akronbusinessconference.org/brennan.htm>

the Hope students took standardized tests different from tests given to voucher recipients at other schools and to public school students.”¹⁴¹

- The Hope for Cleveland’s Children’s IRS 990 tax form for the 1997-98 school year lists the Walton Family Foundation as having contributed \$500,000, 68 percent of its general revenue and 91 percent of its grant funding.
 - They report \$172,120 in “Management Fee Income” to run “two tax-exempt Hope Academies established to serve participants in the Cleveland Scholarship Program”
 - It also reports \$13,895 in “Legal Fees” to Amer, Cunningham & Brennan – Brennan’s law firm.
 - John D. Helline, Joseph R. Weber, and Nancy Kepley are listed as trustees
 - Mr. and Mrs. David L. Brennan are still listed as “Foundation Managers.”
 - Again contributed to Tremont Academy and Central Academy, \$278,000 and \$375,500 respectively
- In the span of eight days in early February, 1998, David Brennan launches his private, for-profit **White Hat** education companies. On February 5, 1998 two limited liability companies filed Domestic Articles of Organization for **White Hat Realty, LLC** (WHR)* and **White Hat Ventures, LLC** (WHV)* in the state of **Nevada**. A week later, on February 12, 1998, **White Hat Management, LLC** (WHM) also files Domestic Articles of Organization in Nevada. Both WHR and WHM list as their sole officer an entity called **500-SMC, LLC**,* a company also controlled by Brennan and his agents. WHV lists Joseph R. Weber as its only officer (based out of the 159 S. Main St. Akron address). WHR files as a Foreign LLC in the state of Ohio on September 30, 1998. Its registered agent is Lee S. Walko; Joseph Weber also appears in the document as a contact for the company. WHV merged out of existence in December 30, 1999. WHM registered as a Foreign LLC in the state of Ohio on August 29, 2000; **Mark E. Krohn*** served as the initial Registered Agent and Joseph Weber also appeared on the document as an “Authorized Representative” for WHM.*
 - Note: White Hat Realty, LLC was originally called **Hope Realty, LLC**
 - Note: White Hat Ventures, LLC was originally named **Hope Academies, LLC** until it formally changed its name 4 months later.
 - Note: 500-SMC, LLC filed Domestic Articles of Organization in the state of Ohio on June 28, 2002. This date seems to contradict its earlier appearance as the lone officer for the WHM and WHR – both incorporated in 1998. 500-SMC, LLC is based out of the address: 159 S. Main St., Akron, OH 44308
 - Note: Mark E. Krohn, according to Martindale.com, is listed as the Chief Operations Officer/General Counsel to White Hat Ventures.
 - Note: Lee S. Walko would later take over as WHM’s Registered Agent on September 19, 2003.
- As the Cleveland voucher case moved to the Ohio Supreme court – after the state appealed the 10th District Court of Appeals ruling that the voucher program was unconstitutional – the *Beacon Journal* on February 21, 1998 reported that **Justice Deborah Cook** began to inquire whether she should recuse herself from the

¹⁴¹ Source: “EDUCATORS SAY STUDY LACKS DATA.” *Plain Dealer*. January 17, 1998.

upcoming hearings. “Cook is an acquaintance of Brennan, who also donated to the justice’s 1994 campaign.” Additionally, “Cook said Brennan has played no role in her election other than to write checks. She estimated he gave her campaign between \$5,000 and \$10,000 in her 1994 race for the Supreme Court. [...] She has been invited to the Brennan home a couple of times, along with many other people. Cook has had dinner with Brennan and his wife on a few occasions, her husband has played golf with him, and she went to a ball game once with Brennan, she said.”¹⁴²

- Hope Realty, LLC purchases property addressed at 3845 131st St., Cleveland, OH 44105 from Bishop Edward Hoban of the Cleveland Diocese for \$100,000. This property would later house one of Brennan’s first charter schools, Hope Academy Chapelside Campus. ***The building’s market value is \$978,900.***¹⁴³
 - **Note:** Currently, at least a half-dozen of the Brennan’s charter schools are either leased or purchased from the Cleveland Diocese.
- On April 9, 1998 the *Dayton Daily News* reported on the expansion of the charter school program in Ohio: “representatives of the state school board signed off on proposals for seven new ‘start-up’ charter schools in Ohio.” The article also noted: “Four of the schools - known as Hope Academies - want to contract with a school-management company started by Akron industrialist (and ardent Voinovich supporter) David Brennan.”¹⁴⁴
 - According to the *Beacon Journal*, when the state legislature proposed an expansion of the charter school program, “Brennan was actively involved in proposing changes in the law, according to records obtained from lawmakers.”¹⁴⁵
 - **Note:** on an aside, the article reported that “Former Notre Dame football coach and University of Dayton graduate Gerry Faust is on the board of directors of one of the [Hope] academies.”
- A May 29, 1998 article in the *Akron Beacon Journal* maps out Brennan’s first foray into establishing charter schools. The story reports: “Brennan and his backers have submitted a formal proposal for one school, to be called Hope Academy Brown Street. Plans for a second school, to be called Hope Academy University, are being reviewed, Dunnerstick said yesterday. [...] Brennan also has proposals in place for three community schools in Cleveland (separate from his voucher school) and for one in Youngstown. He’s also planning another school in Cincinnati, he said yesterday.”
 - More from the article:

¹⁴² Source: “Justice Seeks Outside Counsel Should Her Connections to Industrialist Who Backs School Vouchers Mean She Should Withdraw from Case?” *Akron Beacon Journal*. February 21, 1998

¹⁴³ Source: Cuyahoga County Auditor

¹⁴⁴ Source: “Charter Schools are Coming.” *Dayton Daily News*. April 9, 1998

¹⁴⁵ Source: “Charter School Overbooked.” *Akron Beacon Journal*. June 1, 2001

The state education board is scheduled to act on the Brown Street proposal, as well as seven others planned for Cleveland, Youngstown, Cincinnati and Dayton, when it meets June 9.

State approval for the Hope Academy University school could come later, Dunnerstick said, after board members reach a preliminary agreement, interview Brennan's representatives and get a formal contract in place.

The Brown Street school (projected enrollment 260) would be housed in the old St. John The Baptist Roman Catholic Church facility at 1044 Brown St. The University school (projected enrollment 150) would be housed in the old St. Bernard Catholic Church facility at 220 S. Broadway St.

Brennan's daughter, Nancy, president of Brennan Learning Systems, had managed another school in the St. Bernard building called Interfaith Family Elementary School, but that school will close soon because it lost too much money in five years of operation, David Brennan said.¹⁴⁶

- **Note:** According to 2005 property records for Summit County, the 1044 Brown St. property is owned by the Cleveland Diocese. Its appraised value is \$1,698,020. Additionally, the Hope University Campus, with a mailing address at 220 S. Broadway, in fact resides in a building located at 47 E. State St. This property is also owned by the Diocese. The leasing agreements between the Diocese of Cleveland and White Hat Management are currently unclear.
- Brennan and his associates launch the first wave of Hope Academy charter schools. On May 29, 1998 **Hope Academy Eagle Heights** (also referred to as Eagle Heights Academy) was incorporated as a domestic non-profit in Ohio. A week later, on June 5, 1998, five Hope Academies are all incorporated on the same day as domestic non-profits in the state of Ohio. The schools are listed below:
 - **Eagle Heights Academy** – Based in Youngstown, Ohio. Its initial board of trustees includes: Richard B. Blair, Robert Stauffer, Jay Alford, Kenneth L. Simon, and Gary Frost; all five served as incorporators on the document. Richard B. Blair was the corporation's Registered Agent. Lee S. Walko would take over duties as RA on September 17, 2003. Eagle Heights differs from the rest of the schools listed below in part because the Academy was not organized within the Brennan educational network. According to the *Beacon Journal*, "In Youngstown, a group of black ministers organized their own board, and hired White Hat to manage the Eagle Heights Academy, Panizo said." They retained their independence from White Hat.¹⁴⁷ Later on, the relationship between the school and management company would dissolve. Other differences will be expanded upon later. School address: 1833 Market St., Youngstown.

¹⁴⁶ Source: "Community Schools Worry Akron Board Public School District Could Lose \$1.6 Million if State Education Panel Allows Brennan Proposal." *Akron Beacon Journal*. May 29, 1998.

¹⁴⁷ Source: CHARTER SCHOOLS DON'T FILE REPORTS. *Akron Beacon Journal*. March 30, 2000

- **Hope Academy King-Kennedy Campus** – the school will later change its name to **Hope Academy Broadway Campus** for the 1999-00 school year. According to incorporation documents, the initial trustees for the school are: **Lydia Harris*** **Christopher P. Hitchcock,* James Allan Stubbs, Robert C. Townsend, II.*** Hitchcock served as sole incorporator. And **Roger D. Emerson** (based out of the 159 S. Main address) signed as Registered Agent. **Arthur L. Clements, III*** would take over responsibilities as RA in November of 1998.* This school is located in Cleveland. School address: 3398 E. 55th St., Cleveland.
- **Hope Academy Brown Street Campus & Hope Academy University Campus** – the initial trustees for the school are as follows: **Virginia Robinson,* Al Spalding,*** and **Charles R. Parsons.*** Robinson was the sole incorporator. These schools are located in Akron. University's address: 220 S. Broadway St., Akron. Brown's address: 1044 Brown St., Akron
- **Hope Academy Cathedral Campus & Hope Academy Chapelside Campus** – for both of these schools, the initial trustees for the school are: Lydia Harris, Christopher P. Hitchcock, and James Allan Stubbs. Hitchcock is listed as sole incorporator. Both these schools are located in Cleveland. Cathedral's address: 10615 Lamontier Ave., Cleveland. Chapelside's address: 3845 E. 131st St., Cleveland
 - **Note:** Lydia Harris, at the time, was principal of St. Adalbert School, a Catholic school on Cleveland's near East Side.
 - **Note:** Christopher P. Hitchcock is currently the Geauga County Treasurer (Republican) – an incumbent since November of 1997. Prior to that worked for Swagelok Co., based out of Solon, Ohio, Fred A. Lennon's company.
 - **Note:** Robert C. Townsend is president of the Oakwood Village City Council; formerly served on the **Cuyahoga Metro Housing Authority** (1988-2004)
 - **Note:** Arthur "Tim" L. Clements, III is of counsel for Nicola, Gudbranson & Cooper, LLC; serves as outside general counsel for small and medium sized businesses, charter schools and non-profit organizations. Formerly worked for Nischwitz, Pembridge & Chriszt.
 - **Note:** Roger D. Emerson is listed as the initial Registered Agent for all five of the initial Hope charter schools, but Arthur L. Clements, III would eventually take his place as RA for these schools.
 - **Note:** Virginia Robinson is on the City of Akron Health Commission and also serves as Foundation Director for the Akron Bar Association; she has worked as legal counsel for the Akron Metropolitan Housing Authority since 1989.
 - **Note:** Al Spalding is a real estate investor / developer in the Akron area.
 - **Note:** Charles R. Parsons from 1986-2001 was Superintendent of Schools for Wadsworth City Schools; Currently, he runs an education consulting group, The Charles R. Parsons Group, LTD.
- On June 10, 1998, Brennan's Hope Academies were granted approval by the State Board of Education to open six community schools. Additionally, the Akron Beacon Journal reported that Brennan is interested in converting the private Interfaith Academy at St. Bernard's church in downtown Akron into a public charter school. However, "State law prohibits a private school at the beginning of 1997 from becoming a charter school." Brennan argued the law did not apply in this case: "He said his organization that ran the private school for 1997-98 will not operate the new school. He said a new for-profit company, Hope Academies, will provide management assistance to a new board of governors for what would be named Hope University Campus." The article finally noted: "Changing to a charter school would have a major impact on the tax dollars flowing to Brennan's operations. Students at

Interfaith paid tuition and received about \$600 per pupil in state support. Charter school children will receive at least \$4,200 per pupil in tax money, perhaps more than \$5,500 per pupil. [...] That payment will be deducted from Akron public schools' state aid even though the number of children educated in Akron won't change. Akron will have to use local property taxes to make up money shifted to Brennan's Hope schools.”¹⁴⁸

- A week later, on June 17th, Ohio Attorney General Betty Montgomery approved Brennan's move to close Interfaith and re-open it as a public charter school. Ohio Education Association president Michael Billirakis opposed the move: "His objective is to open up this gold mine he sees called the public treasury. He wants to make money at the expense of children and we have no use for him.”¹⁴⁹
- On the same day, June 17th, the *Beacon Journal* released another article breaking down the new charter schools approved for the 1998-99 school year. Among the facts listed, the article noted that teacher salary for all Hope Academy schools will begin at **\$19,000** annually, with **\$300** raises each year. At the time this was less than half the average Ohio teacher salary.¹⁵⁰
 - Still dogged by some state officials for the questionable conversion of private Interfaith into a public charter school, Brennan continued to court controversy with his new schools. In June Brennan stated that his two Akron schools "can't take wheelchair children" because the buildings are too old. "Akron Board of Education member Mary Stormer called that a "blatant discrimination in admission" and of federal handicap and discrimination laws.”¹⁵¹
 - A support agency for the disabled, the Tri-County Independent Living Center Inc., filed federal complaints against the state Department of Education and Brennan's Hope schools on September 24, 1998 for allegedly discriminating against disabled students. It was in response to Brennan's earlier comments.¹⁵²
 - The story continued into March of the next year, as the *Beacon Journal* reported that the complaint "has evolved into a federal investigation of Akron's Hope Academy community schools and the Ohio Department of Education.”¹⁵³

¹⁴⁸ Source: “Brennan’s Charter Schools Approved.” *Akron Beacon Journal*. June 10, 1998.

¹⁴⁹ Source: “State OKs New School in Church Attorney General Says Closing Private Facility Technically ‘Legal’ Move.” *Akron Beacon Journal*. June 17, 1998

¹⁵⁰ Source: “State Approves Contracts of 10 Community Schools Six are for David Brennan’s Hope Academies in Akron and Cleveland.” *Akron Beacon Journal*. June 17, 1998

¹⁵¹ Source: “Board Questions Charter Schools.” *Akron Beacon Journal*. July 28, 1998.

¹⁵² Source: “Support Agency Launches Lawsuit Group Alleges State, Schools Discriminated Against Disabled Students.” *Akron Beacon Journal*. September 24, 1998.

¹⁵³ Source: “HOPE ACADEMY INVESTIGATED.” *Akron Beacon Journal*. March 12, 1999.

- In its 1998 IRS 990 tax form, Hope for Cleveland's Children reports a revenue of \$766,559 for the 1998-99 tax year. The Walton Family Foundation donates \$400,000 to HCC, fully *two-thirds* of its revenue from grants and contributions. Again HCC received management fees for operating two tax-exempt Hope Academies in the Cleveland Scholarship Program (\$160,091). Additionally, HCC gave a combined \$786,800 to Tremont and Central Academies. (By this point it has become obvious that Walton Family Foundation money is helping these voucher schools stay afloat.) Finally, HCC advances \$250k to unnamed 501c3 groups "pending approval." These unnamed groups, it turns out, will be the Hope charter schools recently incorporated.
- Youngstown's Eagle Heights Academy is the first Hope Academy to establish a "consulting agreement" with Brennan's for-profit White Hat Management. According to the State of Ohio's official audit of the 1998-99 school year, on July 27, 1998, the school enters a three-year "Management Consulting and Technology Support Agreement" with WHM. "The School contracts with White Hat Management, LLC, for a variety of services including management consulting, Ohio Department of Education consulting, Education Management Information System (EMIS) monitoring and consulting, technology and operational support, teacher training, and assistance in grant applications."

WHM identifies itself as an "education consulting and management company."

In accordance with the agreement, WHM's various resources are available for Eagle Heights' use, which include: "proprietary systems, manuals, and forms and to receive advice on funding and reimbursement; consulting and liaison services with the Ohio Department of Education and other governmental agencies; EMIS monitoring and consulting; grant writing assistance; technology procurement, implementation assistance, and other services and consultation as requested."

In return, WHM will be compensated "at a rate of 10% of qualified gross revenues plus an incentive fee equal to 25% of excess revenues over expenditures as defined in the agreement. For the year ended June 30, 1999, \$278,357 was expensed by the School under the Consulting Agreement and \$36,077 was payable to WHM at June 30, 1999. No amounts were payable under the incentive fee arrangement. The Consulting Agreement also required the School to pay WHM a front end fee of \$50,001 for assistance in obtaining the School's charter agreement with the Ohio Department of Education."

- A few weeks later, on August 17, 1998, the other five original Hope charter schools – on the same day – enter into *five-year* consulting agreements with White Hat Management, LLC. The consulting agreements for each of the five schools are identical. While the exchange of money between the non-profit school and the for-profit management company differ from school to school due to differing enrollment, revenues, and locations (among characteristics that render each school unique), the contract language remains the same in all of the 5 consulting agreements. Highlights of the agreements include:¹⁵⁴

¹⁵⁴ Source: Information from the Consulting Agreements was taken from the audits for each of the Hope Academies, performed by the State of Ohio Auditor's Office. For Chapelside, Cathedral, and Brown St., the audits for the 1998-99 school year were used; for Broadway and University, the 1999-00 audits were used.

- The School also leases its facilities from White Hat Realty, LLC, under a five-year triple net sub-lease agreement which ends on June 30, 2003. The sub-lease requires minimum annual rent of \$48,000 plus 6 percent of the school's annual gross revenues in excess of \$800,000.
- During fiscal year [...] the School entered into a capitalized lease with White Hat Management, LLC, for computers and technology. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.
- The Consulting Agreement's term coincides with the school's charter agreement and allows the School to utilize WHM's proprietary systems, manuals, forms, names and to receive advice on funding and reimbursement; special education programs; consulting and liaison services with the Ohio Department of Education and other governmental agencies; EMIS monitoring and consulting; grant writing assistance; technology procurement, implementation assistance, and other services and consultation as requested.
- WHM is compensated at a rate of 10 percent of qualified gross revenues plus an incentive fee equal to 25 percent of excess revenues over expenditures as defined in the agreement.
- The Consulting Agreement also required the School to pay WHM a front end-fee of \$50,001 for assistance in obtaining the School's charter agreement with the Ohio Department of Education.
- In addition, the Consulting Agreement also requires the School to fund an advertising and recruitment program fee at a rate of 3% of qualified gross revenues

Additionally, White Hat Management, LLC provided multi-hundred thousand dollar loans to all five of the schools. **Broadway** has a \$300,000 Revolving Loan and Security agreement with White Hat Management, LLC to fund working capital and other operating needs. University, Chapelside, and Brown Street each took out \$500,000 loans from WHM, and Cathedral took a \$525,000. The terms of the loan are the same: interest expense was paid at a rate of 10 percent - throughout most of 1998 the federal bank discount rate was 5 percent and the prime rate was 8.5 percent . University, Chapelside, Cathedral, and Brown St. all received \$50,000 loans from Hope for Cleveland's Children, all of which were converted in to grants once the schools attained tax-exempt status.

- **From the very beginning, the loan from WHM undercuts the independence of the non-profit charter school from its for-profit management company.**
- Another red flag that suggests a lack of independence of the community schools from White Hat is instances of individuals serving as trustees on multiple Hope Academy school boards. For example, according to the schools' incorporation documents, Stubbs, Hitchcock, and Harris each serve as trustees for *three* Hope Academy schools (Broadway, Cathedral, and Chapelside). For the two Akron-based schools, Spalding, Parsons, and

Robinson serve on the boards of both academies. The same set of trustees in three different schools is not the sign of local, independent community schools. This pattern will become more pronounced as Brennan expands his education empire in the state.

- **Note:** Henceforth, all schools created in Brennan's education network (Hope academies, Life Skills Centers, etc.) shall also be known as White Hat schools.
- August 26, 1998, two Akron-based Hope academies open their doors for the first day of school. The *Beacon Journal* article covering the story noted that Nancy Brennan has "overseen the start-up operations" for the two schools. A combined 410 students will attend the academies. The article also noted the drain on the local school district: "For each student Hope Academy enrolls, it gets per-pupil funding from the state, money that ordinarily would go to the public school district that student would have attended. For instance, Akron Public Schools will lose 311 students and about \$1.34 million this year to the two community schools."¹⁵⁵
- Eyeing expansion into Cincinnati, White Hat Realty, LLC, on October 2, 1998, acquires a building at 3320 River Rd. in the city from the Board of Education of the City School District of Cincinnati. The Board sells White Hat the property for \$250,000.* The most recent assessment of the property by the Hamilton County Auditor appraises a market value of \$442,600. **Riverside Academy**, a future White Hat school, will eventually reside in this building.
 - **Note:** During the time of the transfer, **Philip M. Heimlich** served on the Cincinnati City Council. **In a potential conflict of interest**, he was *also* an original trustee in the incorporation documents for the Riverside Community School. He is currently serving as one of three Hamilton County Commissioners (elected in Nov. 2002). He is also a board member of the Children's Scholarship Fund of Greater Cincinnati. *Recently, he was a candidate for Lieutenant Governor for Jim Petro's 2006 gubernatorial bid.*
- In an October 4, 1998 editorial in the *Plain Dealer* Brennan rails against those who would demand mandated performance standards for community schools: "Public schools have no such mandates. Virtually every education expert takes the position that standards should be voluntary. Mandated state standards of performance and process are just another example of central planning and top-down management that have destroyed the existing public school system."¹⁵⁶
- November 27, 1998: meanwhile, a two-year study conducted by Indiana University researchers assessing the performance of Ohio 55 private schools participating in the

¹⁵⁵ Source: "Charter Schools Make Debuts." *Akron Beacon Journal*. August 26, 1998.

¹⁵⁶ Source: "Increased Centralization is Ruining Public Schools." *Plain Dealer*. October 4, 1998

Cleveland voucher program “singled out Brennan’s two Hope Academy schools as performing worse than other private or public schools.”¹⁵⁷

- A series of Financing Statements – or Uniform Commercial Codes (UCC) filings – are filed on the same day (December 12, 1998) by five Hope Academy schools and White Hat Management, LLC. The statements (five in all, one for each school) show a Hope Academy as a “Debtor” and White Hat as the “Secured Party” – the debtor schools include University, Brown St., Cathedral, Chapelside, and Broadway. In each statement White Hat claims as collateral “all receivables and all cash” of the debtors.
 - The schools are indebted to White Hat for essentially everything they own. Again, the question of independence arises: how can these community schools negotiate a fair contract when the management company holds such leverage over them?
- On January 6, 1999, Hope Realty, LLC files a “Quit Claim Deed” for the property at 3845 131st St., Cleveland, OH (the property housing Hope Academy Chapelside Campus), transferring the parcel to White Hat Realty, LLC. This document also signifies the name change from Hope Realty to White Hat.¹⁵⁸
- **Riverside Community School, Inc.** files articles of incorporation as a 501(c)3 on January 13, 1999. (the school is also known as **Hope Riverside Academy** or **Riverside Academy**). It will be based in Cincinnati, Ohio and “is organized exclusively for educational purposes” – the specific purpose being to operate a community school. The initial trustees included, **Philip M. Heimlich**, **Richard A. Weiland**, and **Pat Campbell**. Heimlich served as sole incorporator and as RA.*
 - Note: On June 16, 2000 Durwood G. Rorie assumed responsibilities as the corporation’s RA. Then, on January 10, 2002 Arthur L. Clements, III took over as RA.
 - According to the Riverside’s state audit, covering the 1999-00 school year, the school was approved by the Ohio State Board of Education for a period of five years commencing with the fiscal year July 7, 1999 to June 30, 2004.
- A *Cincinnati Enquirer* article from February 26, 1999 reports that Phil Heimlich is attempting to start three charter schools in the Cincinnati area, **Hope Riverside Academy**, the **Life Skills Center of Cincinnati**, and the **Academy of Cincinnati**. The Hope academy and the Life Skills center would both be managed by Brennan’s White Hat company, the article notes. Additionally, it had this to say about the Life Skills Center: “a school [...] for students ages 16 to 22 who have dropped out or are considering dropping out of school. It would be a computer-based program with small-group instruction and independent study.”¹⁵⁹

¹⁵⁷ Source: “STUDY SAYS HOPE STUDENTS LAGGING.” *Akron Beacon Journal*. November 27, 1998

¹⁵⁸ Source: Cuyahoga County Auditor

¹⁵⁹ Source: “Several apply to fly charter-school banner.” *The Cincinnati Enquirer*. February 26, 1999

- A March 18, 1999 article in the *Beacon Journal* reported that Ohio Governor Bob Taft intends to expand the existing charter school program “to districts that are in a condition of “academic emergency” -- where children are performing poorly on proficiency tests.” 40 schools, the article noted, have applied for charters for the upcoming 1999-2000 school year. The two charter schools in Akron run by Brennan had diverted \$547,000 away from the local public schools.
 - Recapping the brief history of the Ohio charter program, the article stated the following:

The legislature and former Gov. George Voinovich opened the door to charter schools in 1997 by allowing any of Ohio's 611 school districts to sponsor a charter school, which would be run by a community group.

Not one school board approved such a plan.

So in 1998, the law was changed to allow private groups in the state's eight largest cities to go directly to the state school board -- 8 of 19 of whom were Voinovich appointees -- to open private schools.

Taft's proposal for an expansion would allow groups to also bypass local boards in the academic emergency districts.¹⁶⁰

- In the spring of 1999, Brennan and his associates submitted 12 additional schools for charter applications, according to the *Beacon Journal*. The story noted: “If the 12 schools are approved -- and all are in the final stages before the state Department of Education -- Brennan will have a stake in 17 community schools -- nearly one-third of all those open or proposed in Ohio.” Indeed, “He would control a system of schools with more than 4,000 students, if each reached its enrollment goal. That's bigger than 13 of Summit County's 17 school districts.” Al Spalding – noted as an Akron real estate investor and has already on a number of Hope Academy incorporation documents – is listed as an operator for the Akron, Canton and Columbus schools. The Hope Academy schools will offer grades K-6; the Life Skills Centers would offer high school dropouts the chance to receive a diploma rather than a GED.
 - **Also, near the end of the article Brennan acknowledges that “97 percent - - about \$4,350 -- of the state funding for each student in a Life Skills Center would go to White Hat Management as payment for services.” The management fee arrangement differs from those between the Hope Academies and WHM. Under this agreement, far more money is under the direct control of WHM.**¹⁶¹
- On April 14, 1999, the state approved 37 more charter schools. The *Cincinnati Enquirer* noted that three of these schools in the Cincinnati area will be run by

¹⁶⁰ Source: “Dozens of Communities Could Get Charter Schools.” *Akron Beacon Journal*. March 18, 1999

¹⁶¹ Source: “Brennan to Add For-profit Schools State Nears OK of 12 More. *Akron Beacon Journal*. March 24, 1999.

Brennan's management company: Hope Riverside Academy, Life Skills Center of Cincinnati, and The Academy of Cincinnati.

- **May 5, 1999**, **WHLs of Ohio**, LLC files Articles of Organization as a domestic company in the state of **Nevada**. Its listed officers are 500-SMC, LLC and White Hat Ventures, LLC – both are based out of the 159 S. Main St. address. This entity, a subsidiary of White Hat Management, will emerge as the chief for-profit management vehicle for Brennan's academic enterprises. By 2002, WHLS will have a uniform management agreement with all Hope Academies and Life Skills Centers. This agreement is examined in detail later.
- The Ohio Supreme Court tossed out the state's pilot voucher program ruling that the method used to launch the program, attaching it to the massive state budget, violated the state's constitution. However, the decision, passed down on May 27th, stated that the program itself was constitutionally viable and did not violate the separation of church and state. The ruling is to take effect on June 30th. Pro-voucher supporters maintained that they intended to create a new voucher bill to replace the discarded one.¹⁶²
 - On cue, the *Beacon Journal* reported that "Lawmakers quickly reinstated the voucher program by attaching it to an education funding bill that has not been challenged in court."¹⁶³
- Brennan and fellow school choice proponents were dealt another blow when the *Beacon Journal* on June 20th reported: "Students at Akron's two community schools scored far below their public school peers locally and statewide on the fourth- and sixth-grade proficiency tests." It reflects a pattern of poor test scores throughout the state for community schools. Of the forty-five fourth graders at Hope's two Akron schools, only two students passed all five sections of the standardized exam. None of Hope's 29 sixth graders taking the test passed all parts of the proficiency test.¹⁶⁴
- Summer 1999, Hope Central Academy files its final IRS form 990, covering the 1998-99 school year. The school ceases to exist following this filing. Then on June 30, 1999, Hope Ohio City Academy (or Tremont) files its dissolution papers with the Secretary of State's office. David Brennan and Nancy Brennan show up on the document as President and Secretary, respectively. Within three years of launching his trailblazing voucher schools, two are now no longer in existence.
- Brennan announced, on June 25, 1999, that he intends to convert two of his private voucher schools in Cleveland to community schools receiving public money. The *Beacon Journal* reported that the conversion "is likely to double the amount of state money going to schools founded by Brennan and operated by his family-owned education management company. Children who remain at the restructured schools should not notice any difference in teaching philosophy." Both schools, which

¹⁶² Source: "Court Dumps Voucher Project." *Dayton Daily News*. May 28, 1999

¹⁶³ Source: "State Has New Battle For Control of Schools." *Akron Beacon Journal*. April 17, 2000.

¹⁶⁴ Source: "Community School Pupils Get Low Marks." *Akron Beacon Journal*. June 20, 1999

Brennan claimed were operating in the red, should double the amount of per-pupil aid coming in from the state. State officials should have expected such a move, the article stated: “In a January 1998 memo to an aide of former Gov. George Voinovich, Brennan warned that unless the governor obtained a nearly 100 percent increase in voucher aid per pupil, he would convert two private schools to charters.” When questioned about Brennan’s attempts to pad his wallets in the process, “[David] Zanotti said the only connection between Hope schools and Brennan is that some of the schools have hired Brennan’s company, White Hat Management.” He continued: “‘White Hat Management is in this to make money,’ Zanotti said. ‘Brennan doesn’t own the schools. Brennan owns the management company.’”¹⁶⁵

- **Note:** It is important to recall that Bert Holt served as director of the Cleveland Scholarship and Tutoring Program into the summer of 1999. A newspaper article dated June 25, 1999 addresses her as still the occupant of that position.¹⁶⁶ And a *Beacon Journal* story reported that “[w]hile Holt was supposed to report to the department, phone records and other communications obtained by the Beacon Journal show that she worked closely with Brennan and Needles, the governor's chief aide for education.”¹⁶⁷
- Several months later, the Cleveland Teachers Union accused Brennan of illegally converting four private schools participating in the Cleveland voucher program into community schools. Brennan’s response: “‘We were on the losing end of funding,’ Brennan said. ‘With voucher schools, you only get half the money and you don’t know if the funding is going to be there. We did exactly what we should have done because it was the best for the kids.’”¹⁶⁸
- Brennan further stated: “I have indicated to you that the temptation to convert the operations at HOPE Central Academy and HOPE Tremont Academy is almost irresistible because of the higher funding from the community schools.”¹⁶⁹
- Five new White Hat schools incorporate as domestic non-profits in the state of Ohio in the Summer of 1999, **The Life Skills Center of Cincinnati** (August 12th), **The Life Skills Center of Cleveland** (July 26th), **The Life Skills Center of Youngstown** (July 30th), **Life Skills Center of Akron** (July 30th), and **Hope Academy Lincoln Park Campus** (July 27th).

¹⁶⁵ Source: “VOUCHER SCHOOLS MAY CHANGE.” *Akron Beacon Journal*. June 25, 1999.

¹⁶⁶ Source: “Voucher program participants relieved funding continues.” *The Associated Press State & Local Wire*. June 25, 1999.

¹⁶⁷ Source: “David Brennan’s White Hat Management Changes the Way Business, Politics and School Vouchers Mix.” *Akron Beacon Journal*. December 13, 1999.

¹⁶⁸ Source: “Union claims private schools unlawfully converted.” *The Associated Press State & Local Wire*. October 21, 1999.

¹⁶⁹ Source: “David Brennan’s White Hat Management Changes the Way Business, Politics and School Vouchers Mix.” *Akron Beacon Journal*. December 13, 1999

- For LSC Cincinnati, Dennis Mathews, John Morris,* and Pat Campbell serve as the initial trustees. Lee S. Walko takes the role as both sole incorporator and Registered Agent – Walko lists 159 S. Main St. in Akron as his address.
 - **Note:** John Morris *currently serves as President of New Business Development and Community Relations for White Hat Management*¹⁷⁰
- For LSC Cleveland, Christopher P. Hitchcock, Robert C. Townsend, II, and James Allan Stubbs are listed as initial trustees. Arthur L. Clements, III is the sole incorporator and RA.
- For LSC Youngstown, Bruce Beard, Gary Frost, and Robert A. Stauffer are the initial trustees. Lee S. Walko is both sole incorporator and RA.
- For LSC Akron, Al Spalding, **Marco Sommerville**,* and Dean Perry serve as initial trustees. Robert Kondstandt is both incorporator and RA.
 - **Note:** Marco S. Sommerville is currently the Akron City Council President. Additionally, he runs a private business, Sommerville Funeral Services, Inc. According to various newspaper articles, Sommerville has a close relationship with **Anthony Manna** (a business and law partner of Brennan's) and the two have done business together – Sommerville has had to abstain from numerous votes involving city business transactions with Manna's and Brennan's companies. For instance, in May of 2004 the city of Akron sold to Manna a parking garage for \$700,000, considerably less than the \$2.4 million the city paid for it when it bought the site from David Brennan in 1994. Manna intended to use the garage to provide parking for his SummaCare building nearby. According to a May 19, 2004 article in the *Akron Beacon Journal*, "Sommerville and Manna are building apartments on Cuyahoga Street and have worked together on some out-of-town projects. But problems cropped up when Sommerville accepted an ownership interest in PCI Subordinated, which is listed as the owner of the SummaCare building. Sommerville's interest would have prevented the city from participating in future deals involving the site."
- For Hope Lincoln Park, Robert C. Townsend, II, Christopher P. Hitchcock, and James Allan Stubbs are listed as initial trustees. Arthur C. Clements, III serves as both sole incorporator and RA.
- Hope Academy Lincoln Park, on July 27, 1999, entered into the same contract agreement with White Hat Management that earlier Hope schools have signed on to. Lincoln Park took out a \$300,000 loan from WHM at an interest rate of 10 percent; it established a leasing agreement for computers and technology; and it accepted the 5-year sub-lease agreement for building using at \$48,000 a year plus 6 percent of the school's annual gross revenue over \$800,000; also WHM is compensated at a rate of 10 percent of qualified gross revenues plus an incentive fee equal to 25 percent of excess revenues over expenditures as defined in the agreement and WHM also required a front-end \$50,001 fee to obtaining the school's charter; finally Consulting Agreement also requires the School to fund an advertising and recruitment program fee at a rate of 3 percent of qualified gross revenues.

¹⁷⁰ Source: <http://www.whitehatmgmt.com/about/team/>

- The four other new White Hat schools – Hope Riverside, Hope Lincoln Park, LSC Cincinnati, LSC Cleveland, and LSC Youngstown – however, have negotiated agreements with WHM that differ from the existing contracts of the first charter schools established in 1998. According to the audits performed by Ohio Auditor's office – which cover the 1999-00 school year – **WHLs of Ohio, LLC** (not White Hat Management, LLC) has emerged as the “educational consulting and management company.” This is far more than simply a nominal change. The contract agreements between the four schools and WHLS are identical, with the exception of a slight variation involving Riverside and LSC Cincinnati.* Riverside entered into contract with WHLS on July 1, 1999; LSC Cincinnati entered into contract with WHLS on July 1, 1999; LSC Cleveland entered into contract with WHLS on July 22, 1999; and LSC Youngstown entered into contract with WHLS on October 22, 1999. This arrangement will eventually become the standard for all White Hat schools.

- Below are the details of this new arrangement.

The School is required to pay WHLS a monthly continuing fee of **97** percent of the School's “Qualified Gross Revenues”, defined in the Agreement as, “...all revenues and income received by the School except for charitable contributions” and “shall receive 100% of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any.” The continuing fee is paid to WHLS based on the previous month's qualified gross revenues.

The School is responsible for its directors' and officers' insurance, legal fees for School Board representation and general corporate matters, accounting, audit, tax and consulting fees for the School, and other miscellaneous expenses not incurred in the normal day-to-day operation of the School.

Except as otherwise provided in the Agreement, all costs incurred in providing the educational program at the School are to be paid by WHLS. Such costs include, but are not limited to, salaries for all personnel, curriculum materials, textbooks, library books, computer and other equipment, software, supplies, building payments, maintenance, and capital improvements. All personal property used in the operation of the School is the property of WHLS, unless purchased directly by the School with its separate funds.

WHLs is required to maintain, at WHLS's expense, commercial general liability insurance in the name of the School in an amount not less than one \$1 million per occurrence and \$2 million aggregate, and excess umbrella liability insurance of not less than \$10 million per occurrence and \$15 million aggregate.

WHLs has the responsibility and authority to determine staffing levels, and to select, evaluate, assign, discipline, transfer and terminate personnel, consistent with state and federal law and the Contract.

Compensation of all employees of the school is paid by WHLS. If WHLS fails to pay this compensation, the school, in its sole discretion, may pay such compensation and offset the amount by withholding an equal amount from the fees owed to WHLS under the agreement.

- **Note:** In the agreements for Riverside and LSC Cincinnati, the monthly fee is 99 percent, rather than 97 percent.

- Under this agreement, White Hat Management, *not the community school*, controls the staff (including teachers), the equipment, the building – virtually every aspect of the school.
- While the state audit notes that “WHLS is responsible and accountable to the School's Board of Trustees (the "School Board") for the administration, operation and performance of the School in accordance with the School's contract,” **it is also apparent that the community school boards' autonomy from the management company is dubious**. As time passes, this will become increasingly evident. Already, the Board of Trustees lists many of the same names attached to existing White Hat schools (Townsend, Hitchcock, Stubbs, etc.)
- As opposed to the line-item audit in the earlier contract arrangement between WHM and the first Hope Academies, which detailed how much WHM was charging for their varied services (property leasing, equipment, consulting, etc.), this new arrangement essentially snuffs out the audit trail. **Once the money has left the state coffers and passes through the community school directly to this for-profit company, there is no way to determine how and where this money is spent.**
- And the amount of state money funneled to White Hat is not trivial. Riverside Academy received \$1.99 million from the state of Ohio for 1999-00; LSC Cleveland raked in \$1.02; LSC Cincinnati brought in nearly \$214K; and LSC Youngstown received almost \$755K.¹⁷¹
- According to the 1999 IRS 990 tax forms – covering the 1999-00 fiscal year – for the White Hat schools, the composition of many of the Board of Trustees have become strikingly similar. For instance, the following list indicates board members who sit on multiple White Hat schools boards and in how many instances this occurs: Bert Holt (5), Stubbs (5), Robert Townsend (4), Ted Pappas (5), Mark McClain (6), Christopher Hitchcock (7), John Wolf (5). In some instances, different schools have the *exact* same board.
- According to a September 1, 1999 report from the *Beacon Journal*, Brennan was unable to open three of four Hope Academies in Akron and Canton because he could not find buildings to use. Both schools scheduled for Canton and one in Akron will be put off until the following year. The Life Skills Center of Akron, however, was open for school.¹⁷²
- The 1999 IRS 990 tax form for Hope for Cleveland's Children – covering the fiscal year July 1, 1999 to June 30, 2000 – lists a revenue of on \$7,802 for the entire year. The Walton Family Foundation's own 990 cites that it granted \$400,000 to HCC (these discrepancies are likely due to differing fiscal years). This will be the last

¹⁷¹ Source: All information was extracted from the schools' 1999-00 state audit reports.

¹⁷² Source: “Obstacles Set Back Charter Schools.” *Akron Beacon Journal*. September 1, 1999

WFF grant to HCC, according to WFF tax filings (the 2001 HCC 990 lists a WFF contribution). Either way, *over a half-decade period WFF gave \$1.825 million to HCC*. By now Brennan is clearly underway in phasing out his voucher schools; HCC receives no management fee for services rendered to the two tax-exempt Hope Academies participating in the voucher program, and HCC offers a piddling \$24,500 to Tremont and Central academies. HCC does, however, advance another \$250,000 to unnamed 501c3 groups “pending approval.” From here on, HCC’s revenue and assets steadily dwindle to such a degree that in its most recent 990 filing it reported \$995 in operating revenue and \$177,847 in assets. Its lone function now, it seems, is to hand out a little over \$10,000 in scholarships for three students to go to Catholic school.

- September 15, 1999, White Hat files eight separate Finance Statements claiming “all receivables and all cash” of debtors (Hope Academies) as collateral; there are two distinct agreements between White Hat and both Hope Academy Broadway and Hope Academy Lincoln Park
- On November 1, 1999, the *Plain Dealer* does an expose on the Life Skills Centers in Cleveland, Akron, and Youngstown. An Akron Education Association official questioned Brennan’s motives as a profiteer on education. “Brennan said he would not apologize for being a capitalist. He said he wasn’t making any money yet on these schools.” “In two or three years, I hope I will,” he said.” Brennan noted that the Akron LSC instructed nearly three-hundred students. The Cleveland Center had 290.¹⁷³
 - Brennan, in a later story, boasts of the Life Skills Centers’ educational benefits: “He said Life Skills students are getting on-the-job experience, unlike those in public schools, who may be sitting in a classroom all day or working in a school shop. His school requires two hours a day of work experience plus three hours a day in school -- mostly at a computer -- reaching academic skill levels that qualify them for a diploma.”¹⁷⁴
- Beginning on December 12, 1999, the *Beacon Journal* embarks on a four-part series examining the charter school system in Ohio.
 - The first article criticizes the lack of state oversight over the program, hastily drawn-up schools that are producing sub-par results, and education management companies (EMOs), which control schools that house nearly half the students in community schools. It offers this particularly insightful excerpt:

By law, only nonprofit organizations, and not private for-profit companies, can start a charter school. But the nonprofits and EMOs work hand-in-hand, often so close it is difficult to determine which came first or if they truly are distinct entities.

¹⁷³ Source: “SECOND CHANCE AT SCHOOL.” *Plain Dealer*. November 1, 1999.

¹⁷⁴ Source: “MORE CHARTER SCHOOLS PLANNED.” *Akron Beacon Journal*. May 10, 2000.

For example, identical contracts for several White Hat Management-managed schools were submitted together to the state board although the schools are supposed to be run by independent governing authorities -- the private equivalent of school boards.

These governing authority members, unlike public school board members, can have a financial interest in the schools, give contracts to friends and relatives without competitive bids, and are not required to undergo criminal background checks.¹⁷⁵

- The following day's article scrutinizes Brennan's influence he has cultivated through political donations. The article offers some revelations about former Representative Michael Fox: "Fox had to withdraw as Gov. George Voinovich's selection to head the Department of Human Services after a series of other ethical problems. Fox had bounced 15 personal checks with the state treasury, had business ties with the Hell's Angels motorcycle gang and helped arrange improper Medicaid payments that cost the state \$270,000."¹⁷⁶ The second part of the series examined in depth how the tentacles of Brennan's influence – often fed by campaign finance contributions – spread in to many areas of the state government to ensure the success of his education agenda.¹⁷⁷ The article also noted substantial political contributions to Betty Montgomery, who approved Brennan's conversion of his private schools to community schools.
 - The third part in the series observed failing performances and inefficiencies of the voucher schools. The article noted: "After three years of schooling, however, the voucher program has instead become a subsidy to the Roman Catholic Church, and there are serious questions as to whether Cleveland schoolchildren have benefited, according to an Akron Beacon Journal analysis of data and records. By the end of the last school year, Cleveland's Catholic schools were educating fewer children than before the arrival of vouchers but receiving an additional \$3.3 million in state tax money, according to data from the Ohio Department of Education."¹⁷⁸
 - The final installment examined school choice advocate David Zanotti.¹⁷⁹
- On December 17th, in response to the *Beacon Journal*'s captivating series, Ohio Senate Minority Leader Ben Espy asked the state's inspector general to investigate possible illegal lobbying done by Brennan, Needles, and others on behalf of their education agenda.¹⁸⁰
 - The magazine *Church & State* – sponsored by the group Americans United for the Separation of Church and State – published on February 2, 2000 a scathing

¹⁷⁵ Source: "CHARTER EXPERIMENT GOES AWRY." *Akron Beacon Journal*. December 12, 1999

¹⁷⁶ Source: "KEY CONTRIBUTIONS." *Akron Beacon Journal*. December 13, 1999

¹⁷⁷ Source: "David Brennan's White Hat Management Changes the Way Business, Politics and School Vouchers Mix." *Akron Beacon Journal*. December 13, 1999

¹⁷⁸ Source: "Voucher System Falls Short of Goals." *Akron Beacon Journal*. December 14, 1999

¹⁷⁹ Source: "Campaign Organizer Pushes Hard for Changes." *Akron Beacon Journal*. December 15, 1999.

¹⁸⁰ Source: "Espy Wants Investigation of Lobbying for Private Schools." *Columbus Dispatch*. December 17, 1999

indictment of the Ohio voucher program. It retraced the origins of voucher movement, emphasizing the underhanded alliance between “educational choice” advocates like Voinovich and Brennan and the Catholic Church to push for voucher legislation.¹⁸¹

- On February 11, 2000, Brenlin Holdings, Inc. and David L. Brennan Trust-1996 file four separate financing statements, one for each of the following White Hat entities: WHLS of Ohio, LLC, White Hat Management, LLC, White Hat Realty, LLC, and White Hat Ventures, LLC. In each case, Brenlin Holdings and David L. Brennan Trust claim as collateral “All receivables, now hereafter owing to the Debtor, all cash, cash equivalents, chattel paper, general intangibles, goods, instruments, inventory, furniture, fixtures, and equipment now or hereafter held by the Debtor and all proceeds and products of the foregoing.” Joseph R. Weber, David L. Brennan, and Lee S. Walko signed as the respective agents for White Hat Management, “David L. Brennan: Trustee,” and Brenlin Holdings, Inc.
 - A week later, on February 18, 2000, White Hat Realty, LLC files as a debtor a \$5 million mortgage with David L. Brennan Trust-1996 as the secured party.
 - On April 3, 2000 White Hat Realty took out an “Open-End Mortgage” loan from the David L. Brennan Trust-1996 and Brenlin Holdings, Inc. for a \$5 million credit line. The mortgaged property consisted of two parcels: the first was the property housing Hope Academy Chapelside Campus at 3845 131st St., Cleveland, OH 44105; the second was the property housing the Hope Riverside Academy at 3320 River Rd. in Cincinnati. Joseph R. Weber signs the transaction as Vice President of White Hat Realty, LLC.
 - **Note:** In short, in little more than a year via a series of financing statements, the non-profit Hope Academies indebted themselves to White Hat Management to terms in which WHM can claim all receivables and cash, and then White Hat subsequently indebted itself to David Brennan under the same terms. The trail of debt travels straight from the Hope Academies to David L. Brennan. Once again, the independence of the Hope Academies is questionable.
- The State Board of Education, on April 11, 2000, approved 15 charter schools, 14 of which will be managed by Brennan’s White Hat Management – 11 Life Skills Centers and 3 Hope Academies. The following is a list of the approved schools: Hope Academy Summit County Community School, Life Skills Center of Summit County, Life Skills Center of Hamilton County, Hope Academy Cuyahoga Campus Community School, Life Skills Center of Cuyahoga County, Life Skills Center of Lake Erie, Life Skills Center of Montgomery County, Hope Academy: Northcoast Campus Community School, Life Skills Center of Northeast Ohio, Life Skills Center of Greater Cleveland, Life Skills Center of Butler County, Life Skills Center of Southwestern Ohio, Life Skills Center of Clark County, Life Skills Center of

¹⁸¹ Source: “OUTRAGE IN OHIO.” *Church & State*. February 1, 2000.

Trumbull County.¹⁸² Brennan is later cited on record as saying he hopes to open 20 community schools in the next two years.

- The vote to grant charters to Brennan's schools, however, proved contentious. Early in the meeting the Board voted 9-5 to delay approving the schools. But board member (and Taft appointee) **Deborah Owens Fink** – who is widely recognized as a crusader for *intelligent design*, and who served as a *former trustee of Brennan's Hope for Cleveland's Children* – moved to reconsider the motion. With that, five board members walked out of the hearing in protest, while nine voted to approve the schools.¹⁸³
- A May 30, 2000 article in the *Akron Beacon Journal* may have inadvertently provided insight into the shift in Brennan's emphasis away from creating new K-6 Hope Academies and toward establishing more Life Skills Centers. “The state legislature is considering a new law that would give charter high schools vocational education money -- a change that could send thousands of dollars per student to the privately run schools,” the article stated. The vocational aid could add up to as much as \$2,900 per student, and charter schools running vocational programs could reap nearly \$9,000 per pupil. The article also notes White Hat's attempts to launch an on-line academy – the state could send \$5,000 in aid to the distance-learning school for each registered student. The article noted that “State Sen. **Robert Cupp**, R-Lima, reintroduced the vocational funding as a separate bill two weeks ago.”¹⁸⁴
 - Henceforth, Brennan creates nearly 3 Life Skills Centers for every 1 Hope Academy.
- The state audit reports for the White Hat schools, covering the fiscal year July 1, 2000 to June 30, 2001, reveal another trend that suggests the Life Skills Centers are the real cash cow of Brennan's education empire. In the “Financial Section” of the reports under “Statement of Cash Flows...” the audit notes the amount of “Cash received from State of Ohio.” Under this category, for the 1999-00 fiscal year six Hope Academies (Eagle Heights being the exception) cumulatively collected \$8,611,053. The following year the same schools brought in \$9,535,256, only a **10.7 percent increase**. The Life Skills Centers, on the other hand, have shown much more robust growth. For the 1999-00 fiscal year the Life Skills Centers received \$3,504,252 from Ohio. In 2000-01, that revenue jumped dramatically to \$7,896,423, a **125 percent increase**. Again, 97 percent of this revenue passes straight to White Hat Management.
 - **Note:** In the case of Life Skills, there was no individual number for “Cash received from State of Ohio”; it was lumped together with federal cash received. Instead, we used the amount listed as “State Basic Aid,” which is roughly equivalent to “Cash received” and is consistent with the revenue jump from one year to the next.

¹⁸² Source: “WHITE HAT SCHOOLS APPROVED.” *Akron Beacon Journal*. April 12, 2000.

¹⁸³ Source: “State Has New Battle for Control of Schools.” *Akron Beacon Journal*. April 17, 2000.

¹⁸⁴ Source: “CHARTER SCHOOLS MAY CASH IN. *Akron Beacon Journal*. May 30, 2000.

- With each passing year, the White Hat schools' Board of Trustees becomes more and more uniform. According to available IRS 990 tax forms covering the 2000 fiscal year (July 1, 2000 – June 30, 2001) for Hope Academies and Life Skills Centers, no less than *six* boards are composed of *exactly* the same members: Townsend, Stubbs, Holt, Pappas, John C. Dawson, Mark McClain, Al Spalding, and Steven L. Basta. Several other school boards have many of these same individuals, minus a name or plus another name (such as familiar faces Christopher Hitchcock or John P. Wolf).
 - Also of note, the financial data disclosed by each White Hat school in their state audit reports often do not match the finance numbers in their federal 990s. Both the federal 990 and the state audit cover the same fiscal year, July 1st to June 30th, so that cannot explain the discrepancies. This could be due to differing accounting methodology at the state and federal level.
- An *Associated Press* piece written by John McCarthy reported that Ohio Auditor **Jim Petro*** gave the “thumbs-up” for four of Brennan’s charter schools, saying the schools were in “sound fiscal condition,” following an audit for the 1999 fiscal year. However, the McCarthy noted, “[t]wo of the schools, both in Akron, were found to lack proper documentation for some transactions and accounts were not balanced on a timely basis, the audits said.” On a side note, the article identifies John Morris as the Chief Executive Officer of White Hat Management. Additionally, the article states that Brennan has given at least \$12,000 to Petro in campaign finance over the course of the 1990s.¹⁸⁵
 - The *Beacon Journal* responded the next day on August 11, 2000 with an article far more critical of the results of the audit reports. “Audits of four schools operated by Akron businessman David Brennan's White Hat Management company - released yesterday - make it clear that White Hat has significant control over the four taxpayer-funded Hope Academies in Akron and Cleveland and that the academies lease equipment from White Hat as well as pay the company substantial fees and interest on loans.” The article also observed that the 10 percent interest rate the Hope Academies were paying to White Hat for loans exceeded the 7 percent and 6.7 percent rates on loans two other charter schools took out with banks. White Hat responded that the “rate of interest charged is appropriate given the risk level involved with the loan and the initial underlying values of the hard assets at the school.” The article further noted that the Ohio Supreme Court had ruled that public schools cannot take out loans to cover operating expenses.¹⁸⁶
 - A couple months later, this article was followed by another *Beacon Journal* article criticizing the “laxness in accountability” of accounting practices at White Hat’s Eagle Heights Academy.¹⁸⁷

¹⁸⁵ Source: “Hope Academy gets auditor's OK.” The Associated Press State & Local Wire. August 10, 2000.

¹⁸⁶ Source: “Spending at Charter Schools Unchecked.” *Akron Beacon Journal*. August 11, 2000

¹⁸⁷ Source: “Can Ohio Afford Education by Charter Schools.” *Akron Beacon Journal*. October 22, 2000

- September 20, 2000, a series of Life Skills Centers on the same day register Trade Names with the Ohio Secretary of State corporations division: **Life Skills Center of Butler County, Life Skills Center of Clark County, Life Skills Center of Lake County, Life Skills Center of Northeast Ohio, and Life Skills Center of Southeast Columbus**. In each case, the name of the “Registrant” for the “Trade Name/Original Filing” is *WHLs of Ohio, LLC*. The business address listed for this entity is 75 E. Market St., Akron, OH 44308 – the address of Mr. Brennan’s law firm, Brennan, Manna & Diamond. The authorized representative for each document is Joseph R. Weber.
 - As evidenced here, White Hat Management even plays a direct role in the very creation of these community schools.
- October 23rd, “You Can Excel Life Skills Center of Middletown, Ohio, Inc.” incorporates as a domestic non-profit in the state of Ohio. Ronald E. Ross, Cheryl Simon, and Wali S. Muhammad are the trustees. Richard J. Chernesky served as the initial RA. Later, in August of 2002, as filing to the Secretary of State amending the corporation shows Robert Townsend, James Haynes, and Edward Wilkins are the trustees; Townsend is later identified as President. By August 30, Ricardo Teamor is the Registered Agent. On March 18, 2003, the entity changes its name to The Life Skills Center of Middletown, Inc.
- The 6th U.S. Circuit Court of Appeals in Cincinnati ruled on December 11, 2000 that the voucher program in Cleveland, which now comprised nearly 3,900 students in over 50 private schools, was unconstitutional according to state law because it promotes religion. Voucher advocates planned to appeal the ruling before the Supreme Court.¹⁸⁸
- The *Cleveland Scene*, on January 4, 2001, publishes a damning article of the Ohio charter school program. “But three years after this miracle of free enterprise began, it might be argued that Ohio has merely recreated the troubles found in public schools -- only with much worse results. By and large, charter schools are poorly equipped, offer the lowest of teaching salaries, and have produced hideous results on proficiency tests,” it writes. Physical plants not up to code, falsified enrollment statistics, a lack of proper equipment and facilities, poor bookkeeping, and subpar test scores were among the many problems the article cited as evidence of failing schools. Singling out David Brennan in particular, the article stated that *White Hat Management was projected to collect \$16 million from its 11 schools in one fiscal year.*¹⁸⁹
 - Fanning the flame for critics of the state’s charter program, the *Beacon Journal* published an article a half-month later, on January 17th, reporting on proficiency test results for Ohio schools. It stated: “Ohio’s charter schools made significant improvement in their ninth-grade proficiency test scores this

¹⁸⁸ Source: “Cleveland School Vouchers Lose Again.” *Akron Beacon Journal*. December 12, 2000.

¹⁸⁹ Source: “New Yet Unimproved.” *Cleveland Scene*. January 4, 2001.

year but continue to fall behind the state's most troubled urban school districts, according to data released yesterday by the Ohio Department of Education.”

- Then, on February 28th, the *Beacon Journal* again reported on poor test performances from the community schools: “Charter schools' proficiency test scores show that most performed poorly in comparison with the urban district in which they are located. In two Akron charter schools, for instance, none of the students could pass all five parts of the fourth- and sixth-grade proficiency tests.” The report also highlighted questionable spending practices among charter schools, which receive \$5,000 per pupil in state aid: “Data on spending: The numbers also show that charter schools on average spend 22 percent more per pupil for administration than public schools and 32 percent less on classroom instruction.” White Hat, the article notes, is largely to blame. “Nearly three of every four children in this year's sampling of charter schools attended a school operated by White Hat [...] White Hat schools were among the worst performers on proficiency tests. White Hat's two Hope Academies in Akron didn't come close to matching the performance of fourth- and sixth-graders in Akron's public schools - except on the writing test.”¹⁹⁰
- An Akron-area teachers union, the Akron Education Association challenged the White Hat's Life Skills Center in Akron by proposing to set up a school of their own – only they promised to return up to half the money back to the public school system. The article also identified Nancy Brennan as running the Akron-area Life Skills Center.¹⁹¹
- On April 5, 2001, the Ohio Federation of Teachers announced it intends to sue Ohio over its charter school program, arguing that it violates state law and the Ohio constitution.¹⁹²
 - Little over a month later, the Ohio Federation of Teachers joined with nine other groups including the Ohio School Boards Association and teachers' unions in Akron, Cincinnati, Cleveland, Columbus and Toledo filed a lawsuit arguing that community schools “were supposed to be small, autonomous public schools offering some unique instructional program,” said Tom Mooney, OFT president. “In Ohio, that idea has been hijacked by entrepreneurs whose goal is simply to make a profit and by people who are ideologically committed to privatization for the sake of privatization.”¹⁹³ Mooney highlighted the White Hat schools in particular. The management company, he asserted, not just operated, but *controlled* the schools. Nancy Brennan, on behalf of White Hat, defended the company and the schools it manages: “They hired us to perform certain services in managing and operating schools, and they're totally independent boards.” The state enacted

¹⁹⁰ Source: “Off to a Slow Start.” *Akron Beacon Journal*. February 28, 2001.

¹⁹¹ Source: “Charter School Turf War.” *Akron Beacon Journal*. February 8, 2001.

¹⁹² Source: “PERSPECTIVE: School districts, unions feeling pinch of charter schools.” *The Associated Press State & Local Wire*. April 5, 2001.

¹⁹³ Source: “Education groups sue state over charter schools.” *The Associated Press State & Local Wire*. May 14, 2001

the bill in 1997. By the time of the suit, there existed 67 charter schools in the state, receiving at least \$92 million and educating about 17,000 schoolchildren.¹⁹⁴

- A *Beacon Journal* article, dated June 1, 2001, exposed that the Life Skills Center of Akron was over-enrolling its school, having admitted 764 students for the beginning of classes in September. The school facility was designed to hold 297 students. The article noted that if the Life Skills Center were to proceed with that bloated enrollment they would stand to gain an extra \$2.2 million in public dollars. At the time, "with 548 students and expanded facilities, the school still can generate about \$198,000 a year through overenrollment."

- More from the article:

The practice of over-enrolling is documented in minutes of the Life Skills Center board of trustees meetings, obtained in a public records request by Akron Education Association Vice President Neil Quirk and given to the *Beacon Journal*.

Minutes show that in a June 21, 2000, trustees meeting, Life Skills administrator David Stiles said that "students are overenrolled for each session due to the high absence rate, which is not unexpected for this at-risk population of high-school dropouts."

The school's policy handbook requires an 80 percent attendance rate to graduate. The October meeting minutes show that average attendance for the entire school was running at about 62 percent, and on one day it was 42 percent. In July last summer, attendance fell as low as 12 percent.¹⁹⁵

- On July 18, 2001, **Hope Academy Cuyahoga Campus** enters into a 5-year agreement with WHLS of Ohio, LLC. The terms are the same as the other White Hat Schools (mostly, to this point, Life Skills Centers) who have entered into agreements with WHLS. White Hat Management has clearly shifted away from its original, line-itemized contract with its charter schools and now prefers the clean 97 percent transfer of funds.
- According the 2002 Audit, the School had purchased service expenses for the year ended June 30, 2002 to WHLS of \$1,761,738 and payables to WHLS at June 30, 2002 aggregating \$266,825.
- The Audit also notes that the Board of Trustees for Hope Cuyahoga also operates the Life Skills Center of Clark County and the Life Skills Center of Butler County.
- WHLS of Ohio, LLC enters in to a contract with Drake Construction Co. on August 9, 2001 to make improvements to a property located at 12913 Bennington Avenue, Cleveland, OH 44135. White Hat Realty is leasing the property the Roman Catholic Diocese of Cleveland. On the document, **Mark Thimmig*** indentifies himself as c/o

¹⁹⁴ Source: "Suit Leveled at Charter School Plan." *Akron Beacon Journal*. May 15, 2001

¹⁹⁵ "CHARTER SCHOOL OVERBOOKED." *Akron Beacon Journal*. June 1, 2001 Friday

("in care of") of White Hat Realty. This building will soon house Hope Academy Cuyahoga Campus.

- **Note:** In December 2005, Mark F. Thimmig resigned as Chief Executive Officer of White Hat Ventures, LLC, according to press reports.
- **Hope Academy Cuyahoga Campus**, on August 2, 2001, incorporates as a domestic non-profit in the state of Ohio. Its initial trustees are: Robert Townsend, James Haynes, Edward D. Wilkins, Sr. **Ricardo B. Teamor*** serves as the sole incorporator and Registered Agent. The school would later change its name to **Hope Academy Cuyahoga County Campus** (November 5, 2001). The academy will be located at 12913 Bennington Avenue, Cleveland, Ohio 44135. It will open for the 2001-02 school year and receive \$1,267,990 from state sources, according to its audit covering the 2001-02 school year. The School has one instructional/support facility which is not part of the reporting entity paid for by WHLS and staffed by teaching personnel employed by WHLS which provides services to 242 students.
 - **Note:** Ricardo B. Teamor was one of six individuals charged in an indictment by a federal grand jury in Cleveland, Ohio for a wide-ranging public corruption and fraud scheme, including charges of conspiracy to commit racketeering (RICO), extortion and mail and wire fraud in furtherance of the corrupt activity. (Case #: 1:04-cr-00580-JG-3; date filed: 11/19/2004). Teamor eventually pled guilty to this case in April of 2005 and has agreed to testify against others.

Teamor also served as an attorney for the Cuyahoga Metro Housing Authority during Robert Townsend's tenure as board member and chair.

- Teamor, however, was apparently involved in *another* crime ring. A recent article from the *Cleveland Scene* reports that an affidavit "sealed by a federal judge but obtained by *Scene* -- was written in 2002 by FBI Agent Christine Oliver as part of a wiretap request targeting multiple people. Its 64 pages are loaded with damning allegations against White, contending there's "probable cause" to believe the mayor headed an extortion ring, whereby businesses were forced to pay bribes in exchange for city, school, and airport contracts. It also contains confessions of bribery by Cleveland businessmen." Among those involved in the crime ring were Nate Gray, Ricardo Teamor, Ralph Sheldon Tyler, and Mohammed Saedi. "According to the affidavit, White's underlings would guarantee contracts in exchange for bribes, then kick a percentage back to the mayor." Of Teamor,

the affidavit noted an “informant described Teamor as ‘very slick’ and obviously ‘the brains behind the operation,’”¹⁹⁶

- Ricardo Teamor, 59, a former attorney and associate of Nate Gray, was sentenced to four months in prison, four months of home detention, two years of supervised release and a \$15,000 fine. Teamor had previously pleaded guilty to conspiracy to commit extortion under color of official right (Hobbs Act) as well as a substantive Hobbs Act count, and began serving his sentence on Oct. 31, 2005.¹⁹⁷
 - Teamor’s law office, Ricardo B. Teamor & Associates, Inc., is located at 1422 Euclid Ave., Suite 1510, Cleveland, OH 44115. As recently as the fall of 2005, he served as Registered Agent for 16 corporations in Ohio, ***10 of which are White Hat schools.***
- Highlights from the Audit Reports for the fiscal year 2002 (covering July 1, 2001 to June 30, 2002):
 - The report for **LSC of Clark County** discloses that the school instructed 176 students during the year and received. While the audit notes that LSC Clark Co. contracts with WHLS of Ohio, LLC for most of its services, the management agreement differs slightly earlier contracts between WHLS and Life Skills and Hope Academies. Again the school and the management company signed a five-year agreement. However, instead of charging a rate of 97 percent of revenue, WHLS charges a monthly continuing fee of 85 percent of the school’s “Qualified Gross Revenues.” The school reached a leasing agreement for its school building with an outside party (Zeus Shopping Center, Inc.), but aside from that all costs incurred in providing the educational program at the School are to be paid by WHLS. Such costs include, but are not limited to, salaries and benefits for all personnel, curriculum materials, textbooks, library books, computer and other equipment, software, supplies, building payments, maintenance, and capital improvements.” Indeed, the contract is much the same as the other agreements between WHLS and the schools it manages. For the year, WHLS charged \$1,107,324 for services rendered. The charter school received in cash from state sources \$907,800.
 - **Note:** The school indicated that it does not intend for file for federal 501(c)3 tax-exempt status. It began its start-up operations in February of 2001; students began attending classes in August, 2001.
 - **LSC of Butler County** serviced 144 students during the school year. The school signed the same agreement with WHLS as LSC of Clark County. For its management services, WHLS will collect 85 percent of the school’s

¹⁹⁶ Source: “City for Sale.” *Cleveland Scene*. 2005-07-20.

¹⁹⁷ Source: <http://releases.usnewswire.com/GetRelease.asp?id=56854>

qualified gross revenues. By the end of the year, the fee to WHLS worked out to \$874,943. The school received \$801,008 in cash from the state. Also similar to Clark Co., LSC Butler Co. reached a leasing agreement for its facility with an outside real estate company (Middletown Properties Company, Ltd.). Additionally the school has recorded a liability to WHLS for over \$50,000, according to the management agreement. Again, the school expressed no interest in attaining federal non-profit status.

- The **Hope Academies** that signed the line-item, five-year contract with White Hat Management, LLC continued to operate under that initial agreement for the 2001-02 school year. Some of the leasing agreements, though, were changed to a fixed dollar payment in February of 2001. These schools included: HA Broadway, Brown St., Cathedral, Chapelside, Lincoln Park, and University. The audit reports for each school notes that the *same board* operates *all six* of these schools, as well as two Life Skills Centers. However, at the end of the Finance section, under “Subsequent Events,” the audits noted: **“In September 2002, the Board approved a modification to its contract with White Hat Management LLC effective July 1, 2002. The revised agreement calls for the Board to pay WHLS of Ohio LLC, a White Hat Management affiliate, 97% of its revenue. WHLS of Ohio LLC will be responsible for all costs associated with the day to day operations of the school.”** By the 2002-03 school year, all of Brennan’s Hope Academies and Life Skills Centers are working under a contract in which they shift 97% of their revenue to WHLS, and the management company controls almost every aspect of the school.
- The rest of the White Hat schools, which included Hope Academy Riverside, LSC Akron, LSC Cincinnati, LSC Cleveland, and LSC Youngstown continue to operate under the existing 5 year contract with WHLS.
- Below is a chart of the existing White Hat schools, featuring their revenue from the state of Ohio (according to the Statement of Cash Flows) and their student population:

School	Cash from Ohio	Students
HA Broadway	\$2,408,082	423
HA University	\$1,065,688	194
HA Brown St.	\$1,478,148	265
HA Cathedral	\$2,147,142	379
HA Chapelside	\$2,567,052	445
HA Lincoln Park	\$1,073,697	187
HA Riverside	\$1,999,450	335
LS Akron	\$3,185,318	587
LS Cincinnati	\$2,241,281	408
LS Cleveland	\$3,098,493	530
LS Youngstown	\$993,103	224

- Note: the two highlighted amounts derive not from the “Cash Flow” line of the audit (because they combined state & federal cash), but from the State Foundation “Operating Revenue” line.

- **Note:** the state Auditor during this time period, **Betty Montgomery**, has received ***over \$46,000*** in campaign contributions from the Brennan family, according to Ohio campaign finance reports.
- September 10, 2001, **The Ellendale Group** incorporates as a domestic non-profit in the state of Ohio. The corporation is based out of the city of Gahanna in Franklin County. The purpose for which the corporation was formed is to: “Provide a fostering structure for the provision, development, and management of one or more community schools in Franklin County, Ohio, and for any and all lawful purposes for which a corporation may be formed under Chapter 1702 of the revised code.” Its initial trustees are: **Steven J. Boone, P. Gilbertson Barno, Anthony P. English, and Miesha Wilson**. Boone and Barno serve as incorporators; Boone is the Registered Agent.
 - May 28, 2002, the **Life Skills Center of Northern Columbus** incorporates as a domestic non-profit in the state of Ohio. Steven J. Boone, P. Gilbertson Barno, Anthony P. English are initial trustees; Boone serves as incorporator and RA.
 - Less than two years later, on June 13, 2002, The Ellendale Group officially changes its name to the **Life Skills Center of Southeastern Columbus**. Stephen J. Boone signs the document, referring to himself as “President.”
- Ohio Representative Jon Husted* (Rep. – Kettering) co-sponsors, along with 24 other legislators, House Bill 364, which is introduced on September 13, 2001. Among its contents, it would permit the establishment of start-up community schools in any school district in the state. The bill also proposed eliminating the authority of the State Board of Education to sponsor community schools two years after the effective date of the bill. It limits to 225 the total number of start-up community schools that can operate statewide for two years after the bill's effective date. Also, the bill places a 3% limit on community school sponsor fees for oversight and monitoring. Additionally, it permits single-gender schools.
 - **Note:** Ohio campaign finance records report that in one two-month period alone, November and December 2001, while the House was deliberating HB 364, the Brennan family contributed \$162,500 to GOP members of the House all in \$2,500 checks (the maximum per cycle at that time).
- Three more Life Skills Centers file for Trade Names with the Ohio Secretary of State, on October 1, 2001: **Life Skills Center of Canton, Life Skills Center of Lorain County** (later called Life Skills Center of Elyria), and **Life Skills Center of Trumbull County**. Just as in the “Trade Name/Original Filing” for the Life Skills Centers that filed in September of 2000, WHLS of Ohio, LLC is listed as the “registrant,” and it is based out Brennan’s 75 E. Market St. address in Akron. Again, Joseph R. Weber signs the documents as the “authorized representative.”

- A *Beacon Journal* article, dated November 1, 2001, reports that White Hat is seeking to expand its enterprises beyond state lines, setting up a Life Skills Center in Fort Wayne, Indiana. The venture would team White Hat with the Urban League of Fort Wayne, Ind.
 - As of the current date, the White Hat website indicates that there are no Life Skills Centers in operation in Indiana.
- November 16, 2001, the **University of Toledo Charter School Council*** approved the third online distance learning charter school. According to an Associated Press article, the “school will provide computers, textbooks and workbooks to students and support parents who are teaching their children at home.”¹⁹⁸ The school is run by White Hat Management.
 - Note: the University of Toledo Charter School Council is the first incarnation of the **Ohio Council for Community Schools** (OCCS). Initially it was an appendage of the university’s Board of Trustees. **Allison Perz (daughter of Sally Perz)** was brought in to run the chartering body. News reports cite the existence of TCSC as far back as February of 1999.¹⁹⁹ Sally Perz, an employee of the university after she left the Assembly, served as a lobbyist for this body, OCCS. More details on this organization will be divulged below.
 - In January of 2002, the school’s operations, and its contract with the Toledo Charter School Council came under attack from the Ohio Federation of Teachers for violating numerous state law. **Allison Perz** – the daughter of White Hat lobbyist **Sally Perz** – defended the school, asserting that “the contract was negotiated in good faith and was not done illegally.”²⁰⁰
 - Paying no heed to complaints, the Toledo Charter School Council awarded another charter to an online distance learning school, the Ohio Virtual Academy, on May 18, 2002. The school is managed by the for-profit group K-12, Inc., run by William Bennett, the former education secretary for President Ronald Reagan. **Bernadette Noe**, wife of **Tom Noe**, became Registered Agent for the school as December 12, 2002 – she retains the post to this day (as of 11/28/05).
- Already having filed suit against the state for its charter school law, a coalition of teacher, education, parent and civic groups, including the OFT, on January 29th, threatens further legal action against White Hat’s Alternative Education Academy, contesting that the contract between the academy and its sponsor, the University of

¹⁹⁸ Source: “Toledo approves online charter school.” *The Associated Press State & Local Wire*. November 16, 2001.

¹⁹⁹ Source: “New York company, Toledo schools may compete to open alternative school.” *The Associated Press State & Local Wire*. February 27, 1999.

²⁰⁰ Source: “Charter school critics threaten legal action against online school.” *The Associated Press State & Local Wire*. January 28, 2002.

Toledo Charter School Council, is illegal, as well as the school's management agreement.²⁰¹

- **The Life Skills Center of Lake Erie** incorporates as a Domestic non-profit in the state of Ohio on January 28, 2002. Robert Townsend, James Haynes, and Edward Wilkins are the trustees; Townsend is later identified in a December, 2003 document as the Board Chair.
- The state auditor's office released a statement on February 8, 2002 stating that the Ohio charter program needs an "overhaul." The article noted that 92 charter schools were currently in operation, 79 of which approved by the state Board of Education and 12 were given charters by the Lucas County Educational Service Center. Additionally, a bill was sitting in the legislature that would create an independent charter commission.²⁰²
 - A *Beacon Journal* editorial that day raged against the fast-and-loose practices of some of charter schools and their management companies: "The audit fits into a dismal pattern of school mismanagement that has already triggered a lawsuit challenging the state law on charter schools. What began as a promise to create educational competition has resulted in an uneven playing field: While public schools are being held to higher standards of accountability, the growing charter school movement appears to have virtually none."²⁰³
- A half-decade into the state voucher program, more than *2,000 fewer* students now attend private schools in Cleveland than before vouchers were instituted – even though the state pays up to 85% of a student's tuition. "In effect, private schools - most of which are Catholic - this year will receive about \$7 million in new tuition aid to educate fewer children," the *Beacon Journal* reported in a February 19th article.²⁰⁴
 - The next day the *Beacon Journal* reported that on this day oral arguments in the case of the Cleveland voucher program will be heard by the U.S. Supreme court.²⁰⁵
- **The Life Skills Center of Canton** incorporates as a Domestic non-profit in the state of Ohio on February 22, 2002. In the filing, John C. Morris is listed as the "owner/registrant giving consent" to use a similar trade name. ***Morris joined White Hat Management in 1998, and since May of 2003 has served as the company's President of New Business Development and Community Relations.*** Also, the filing discloses Robert Townsend, James Haynes, and Edward Wilkins are the trustees. Ricardo Teamor served as the Registered Agent.

²⁰¹ Source: "Charter school critics threaten legal action against online school." *The Associated Press State & Local Wire*. January 29, 2002.

²⁰² Source: "Audit Claims Charter Schools Need Overhaul." *Akron Beacon Journal*. February 8, 2002.

²⁰³ Source: "Charter Failures." *Akron Beacon Journal*. February 8, 2002.

²⁰⁴ Source: "Vouchers Boon for Private Schools." *Akron Beacon Journal*. February 19, 2002

²⁰⁵ Source: "The U.S. Supreme Court Today Takes up Vouchers." *Akron Beacon Journal*. February 20, 2002.

- Also on this day **Life Skills Center of Summit** incorporates as a domestic non-profit with the Ohio Secretary of State. Again, appearing in the filing is a “Consent for Use of Similar Name” attachment. This time Joseph R. Weber, listed as VP of WHLS of Ohio, signs the agreement. Also Townsend, Haynes, and Wilkins again show up as the corporation’s trustees, and Teamor is listed as RA.
- Beginning in April, White Hat files a series of financing statements with outside parties. On April 4, 2002 White Hat Management, LLC and White Hat Ventures, LLC file a UCC as the debtor party with Varesources, Inc. as the secured party.
 - One month later, On May 6th, WHM and WHV files as debtors again with De Lage Landen Financial Services, Inc. as the secured party.
 - They file another UCC with De Lage Financial on May 31st.
- May 22, 2002, **WHLS of Arizona, LLC** files Articles of Organization to operate as a Domestic Limited Liability Company in the state of Nevada.
 - One week later, on May 29, 2002, **WHLS of Florida, LLC** files Articles of Organization to operate as a Domestic Limited Liability Company in the state of Nevada.*
 - At the present, 9 WHLS entities exist: Arizona, Colorado, Washington, DC, Florida, Indiana, Michigan, New Mexico, New York, and Ohio. The most recent, WHLS of DC, LLC was registered in January of 2005.
 - **Note:** This clearly indicated Brennan’s intention of expanding his charter programs beyond the borders of Ohio. The question whether *Brennan is using Ohio public money to expand his private enterprises into other states remains unexplored.*
- In 2002, leading up to the beginning of the 02-03’ school year, Brennan and his associates register a new crop of White Hat schools with the Ohio secretary of state for the upcoming semester.
 - **Hope Academy Northcoast Campus** incorporates as a domestic non-profit in the state of Ohio on January 17, 2002. Robert Townsend, James Haynes, and Edward D. Wilkins, Sr. serve as the initial trustees; Ricardo Teamor is both incorporator and RA.
 - **Life Skills Center of Northeast Ohio** incorporates as a domestic non-profit in the state of Ohio on February 22, 2002. Joseph R. Weber signs the incorporation documents as “authorized representative.” Townsend, Haynes and Wilkins again serve as initial trustees. Ricardo Teamor also takes on the role of sole incorporator and RA.

- **Hope Academy Canton Campus** incorporates as a domestic non-profit in the state of Ohio on July 3, 2002. The same men serve as initial trustees and as incorporator and RA as the two schools above.
- Ohio House Bill 364 passes through the Ohio House on March 21, 2002.
- June 28, 2002, in a 5-4 decision, the U.S. Supreme Court upholds the Cleveland voucher program. David Brennan commented: “I think this is a victory for children and a defeat for teachers unions [...] I think that children should always come before the unions, don’t you? It means choice is going to be available in environments where the teachers unions have no power.” The Beacon Journal reported that in “her separate opinion, [Justice Sandra Day] O’Connor relied heavily on an affidavit by Brennan. He cited a study by controversial Harvard researcher Paul Peterson that showed parents in private schools operated by Brennan were satisfied with his schools.”²⁰⁶
- July 5, 2002, the **Toledo Charter School Council** is incorporated as a domestic non-profit in the state of Ohio. The stated purpose of the organization is to “review and evaluate proposals for community schools pursuant to [Ohio law] and authorize such schools where appropriate.” Additionally, it will “oversee the operation and provide assistance to community schools authorized by the council.” The initial trustees are: Kevin Burke, Robert Robinson, and Frances Dumbuya. Allison Perz served as incorporator of the organization. Margaret J. Lockhart served as Registered Agent.
 - The Toledo Charter School Council came under scrutiny by the Ohio Federation of Teachers and several state legislators [Representatives Teresa Fedor (D-Toledo) and Chris Redfern (D- Port Clinton)] for its failure to notify the public of important meetings, failure to comply with public information requests, making decisions without a quorum, and granting charters that violated state law. In response, after the Ohio legislature passed HB 364, which enabled the University to transfer its oversight responsibility to another nonprofit body, the University of Toledo Board of Trustees approved a recommendation by the President to explore ways to transfer the Council’s responsibilities to another entity and halt sponsorship of new schools until a new process is established. This non-profit entity became the OCCS. It still has connections with the University, but they are ill-defined.
- During discussions to increase the sales’ tax in Summit County, Akron-based charter operators argued that they deserved a slice of the revenue pie. The *Beacon Journal* wrote: “‘There should be an inclusion of charter schools,’ said David Brennan, whose White Hat Management company is Ohio’s largest charter school operator. ‘At the very least, they should require the public school districts to turn over their unused school buildings.’”
 - This story seems to contradict one of White Hat’s chief arguments in charter school court case, that being that its schools are statewide bodies, not local. It

²⁰⁶ Source: “School vouchers upheld.” *Akron Beacon Journal*. June 28, 2002

is overwhelmingly evident that Brennan's charter schools are not local organizations, but statewide entities, run by a select group of individuals that often do not live in the communities where any given school is operating. If charters receive local money, then they should be accountable to the local populace, which they are not.²⁰⁷

- October 14, 2002, 22 for-profit LLCs file articles of organization with the state of Nevada on the same day. Two others file on October 16th. The names of each separate LLC correspond to either an existing or planned White Hat school. Here are a few examples of the LLCs created: HA Broadway, LLC; HA Cathedral, LLC; HA Chapelside, LLC; LS Canton, LLC; LS Cincinnati, LLC; LS Cleveland, LLC. In each case, the listed officers are: 500-SMC, LLC and WHLS of Ohio, LLC – both entities are located at Brennan's 159 S. Main St. address in Akron.
 - One week later, 22 of these LLCs register with the Ohio Secretary of State as foreign limited liability companies. Mark Krohn initially serves as registered agent for these entities, but by September of 2003 Lee S. Walko had taken over responsibilities as RA.
 - After this initial flood of LLCs, new White Hat schools' LLCs continue to trickle in as Brennan and his associates seek to create new charter schools in Ohio and out of state.
 - As of the present, it is currently unclear what purpose these for-profit entities serve in relation to their corresponding school. But it is likely yet another mechanism to profit from his community school empire.
- The *PR Newswire*, on October 16, 2002, sends out a promotional release for David Brennan's new book, "VICTORY FOR KIDS: The Cleveland School Voucher Case," chronicling his long campaign to promote school choice.²⁰⁸
- Highlights from the Audit Reports for the fiscal year 2003 (covering July 1, 2002 to June 30, 2003):
 - The Auditor released reports for **23** Life Skills Centers and Hope Academies. At this point, the management system is in place. Every school has an identical agreement, with 97 percent of the school revenue flowing straight to WHLS of Ohio. Additionally, nearly every school has recorded a liability to WHLS (see section 7 of the Financial section). The audits also noted that the same board, comprised of Robert Townsend, James Stubbs, Bert Holt, James Haynes, Ted Pappas, Jack Dawson, Marco Sommerville, and Edward D. Wilkins, Sr. ran six Hope Academies and two Life Skills Centers. Many of these same names appear on other White Hat school boards as well. For those 8 schools, **Townsend serves as Board President**; Arthur L. Clements, III served as board attorney.

²⁰⁷ Source: "Charter schools want a portion of sales-tax hike." *Akron Beacon Journal*. September 1, 2002.

²⁰⁸ Source: "VICTORY FOR KIDS." *PR Newswire*. October 16, 2002.

School	Cash from Ohio	Students	Purchased Service Expenses from WHLS
HA Broadway	\$2,746,840	479	\$3,487,122
HA Brown	\$1,483,230	251	\$1,795,350
HA Canton	\$1,615,121	278	\$1,983,739
HA Cathedral	\$2,831,283	488	\$3,398,375
HA Chapelside	\$2,729,884	463	\$3,245,163
HA Cuyahoga	\$1,781,033	303	\$2,168,667
HA Northcoast	\$1,681,453	286	\$2,082,944
HA Riverside	\$2,356,747	378	\$2,791,026
HA University	\$1,207,578	202	\$1,455,197
LS Akron	\$3,420,687	624	\$4,002,030
LS Middletown	\$1,716,048	307	\$2,048,409
LS Canton	\$1,135,172	216	\$1,470,354
LS Cincinnati	\$2,667,022	485	\$3,227,130
LS Cleveland	\$2,952,850	556	\$3,602,851
LS Hamilton Co.	\$234,833	43	\$432,496
LS Lake Erie	\$1,022,360	189	\$1,233,922
LS Elyria	\$1,544,107	289	\$1,925,325
LS Northern Columbus	\$1,159,877	194	\$1,243,098
LS Southeastern Columbus	\$582,503	110	\$666,352
LS Southwestern Columbus	\$1,128,992	190	\$1,202,317
LS Springfield	\$1,238,004	235	\$1,581,324
LS Toledo	\$656,407	128	\$821,729
LS Youngstown	\$1,313,710	241	\$1,739,759

- The University of Toledo Board of Trustees gathered on October 30, 2002 for its regular meeting. Among topics discussed was the “Charter Schools Transition.” In the meeting minutes noted that a transition team was complete and their “issues-in-progress” included: “the delegation of authority to the UTCSC; records management and retention issues; transfer of funds; and monitoring relevant enabling legislation.”
- WHLs of Ohio, LLC contracts Neshkin Construction Company on November 21, 2002 to make improvements on the building at 9200 Madison Avenue, Cleveland, Ohio 44102. Robert C. Townsend, II signs the document as the Lessee; WHLS of Ohio c/o Ron Canary are the Lessee’s designees. The document also revealed that White Hat Management was leasing the property from Revco Discount Drug Centers, Inc.
- House Bill 364 is passed through the Ohio Senate on December 4, 2002.
- In a December 11, 2002 meeting of the University of Toledo Board of Trustees the board noted that HB 364 passed through the Senate. According to meeting minutes: “This bill enables the University to transfer its oversight responsibility to another nonprofit body, with the consent of the school. The bill has passed the Senate, with the House conference committee confirming. Dr. Johnson commented that this is the vehicle to accomplish our oversight responsibility and move forward. We have done everything we intended to do and commended Ms. Drabik and her team for their efforts.”

- The Ohio Board of Education, on December 11, 2002, renewed two Akron-based Hope Academies with a vote of 17-1 – this in spite of lacking test results.²⁰⁹ Five other schools were renewed as well.
- The *Plain Dealer* publishes an opinion piece critical of charter school management companies reaping profits from educating children using state money. “When William Bennett's “Cyber School” enrolls a student, his company spends roughly \$1,000 to “educate” that student and then reaps a nice profit at the expense of music classes, textbooks, math tutors and science labs. The greatest beneficiary of this de facto school privatization movement, *educational entrepreneur David Brennan, will collect \$33,745,580 in tax dollars in 2003*, according to the Ohio Department of Education. Overall, the Cleveland schools will lose **\$22,082,000.**”²¹⁰
- House Bill 364 is signed into law by Governor Taft on January 7, 2003.
- March 14th, Hope Academy Columbus Campus incorporates as a domestic non-profit with the Ohio Secretary of State. Robert Townsend, James Haynes, Edward Wilkins, and Al Spalding*. Ricardo Teamor appears as the Registered Agent.
 - **Note:** Al Spalding lists his address as 159 S. Main St., Akron, OH in numerous sources. He is identified as an Akron-area real estate developer. Additionally, he is owner of Spalding Associates real estate company.
- The Toledo Charter School Council officially changes its name to the **Ohio Council of Community Schools (OCCS)** on April 17, 2003. Less than a month later OCCS changes registered agents and Mark C. Abramson replaces Lockhart as the RA. **Allison Perz** continues to run the organization. According to the IRS form 990, covering the 2003-04 fiscal year, Perz earned \$85,000 in salary and \$2,082 in benefits.
 - You will recall that Allison’s mother, Sally Perz, ran a consulting company called The Capitol Link, LLC. In the OCCS internal audit for the fiscal year July 1, 2003 to June 30, 2004 the document notes that OCCS had a “consulting agreement” for that year that paid The Capitol Link “a monthly fee of \$5,000 and reimbursement of out-of-pocket expenses.” By the fiscal year’s end, OCCS had paid Ms. Perz’s company \$61,279.
- Before the 2003-04 school year, another group of White Hat schools incorporates with the state of Ohio as domestic non-profits. **Hope Academy Summit County Campus** files on March 6, 2003, followed by **Hope Academy East Campus** on March 14, 2003, and then **Hope Academy Toledo Campus** files on March 26, 2003. Both HA Summit and HA East have the same initial trustees – Townsend, Haynes, and Wilkins (East also has Spalding as a trustee) – and they have the same incorporator and registered agent: Ricardo Teamor. HA Toledo’s initial trustees are: Eric S. Frankhauser, Lisa J. Trudell, Patrick T. Kriner, and James P. Mettler. Arthur L. Clements, III serves as RA and incorporator.

²⁰⁹ Source: “Akron charter schools renewed.” *Akron Beacon Journal*. December 11, 2002.

²¹⁰ Source: “Charter schools work at public schools’ expense.” *Plain Dealer*. December 23, 2002.

- The *Cincinnati Enquirer* publishes an interview with David Brennan on May 11, 2003. Below are some of the highlights:

- In response to criticism he takes for profiting off of his schools:

“Without profits, choice schools cannot sustain themselves. And expecting to have continued private support to maintain private choice is unrealistic. Eventually it has to be a for-profit activity to create the capital to keep building and maintaining these schools. [...] Everybody seems to think you can pass laws to make public education efficient. Why would that work when it has never worked any place else? Why is it, for the past 50 years, that veterans won't go to veterans hospitals? They go to private hospitals. Fair or not, when government dispenses a service, it's almost always unable to do so in a consistently effective manner.”

- Responding to accusations of “buying” education policy:

You know that until the late 1970s, local school boards controlled public systems reasonably well. The collective bargaining change under Ohio Gov. Dick Celeste in '83 gave power to unions to bargain and took the balance out of whack. School boards lost their ability to bargain effectively. That happened because in the '60s and '70s, the unions figured out they couldn't get any further at the bargaining table, so they said let's get some legislators who will pass laws that will get us things we can't get at the bargaining table.

As for campaign contributions to Ohio Republicans in the choice fight: We have 132 legislators and on my best day I may have supported 20. But it takes a lot more than that to get the kinds of laws passed that we need to pass in education. More important is stopping the legislature's knee-jerk reactions that if public education wants this or that, just automatically give it to them. This was a rule in Ohio for a generation.

Yes, I've been deeply involved in the choice push. I recognize it's a political problem. I recognize that the way you solve a political problem is do what they did (education unions). Find people who feel the way you do about the solutions and help them get elected. Then when they're attacked, provide funds to help them withstand the attack. Prior to that kind of activity the past 10 or 15 years, no one had the ability to stand up against the opposition that had all the money they wanted. To that extent, I've been involved.²¹¹

- June 1, 2003, **Hope Academy Northwest Campus** in Cleveland incorporates as a domestic non-profit in the state of Ohio. K. Tyson Frankhauser, Kenneth C. Jost, and Theodore F. Walter are the initial trustees; John F. Martin serves as Registered Agent.
- The University of Toledo Board of Trustees met on June 25, 2003 where Chairperson Joan Uhl Browne offered her year-end summary. In it, she mentioned the Board's chartering body:

²¹¹ Source: “Voucher king: Victor or villain?” *The Cincinnati Enquirer*. May 11, 2003.

There is one small piece of business I want to wrap up with reference to the process of assigning the community school contracts to the Toledo Charter School Council. In the resolution approved by this Board on December 11, 2002, we agreed that the Board Chair could appoint the designee from this Board to serve on the Toledo Charter School Council Board, representing the University as part of the trustee's official duties and responsibilities to the University. I would like to appoint **Rick Stansley** to serve in this capacity. With your concurrence, I will send a letter to that effect to the TCSC.

- By the time the IRS 990 tax forms and state of Ohio audits are released for the 2003-04 fiscal year, Brennan's system is well established. All the Hope Academies and Life Skills Centers are operating under the same contract. Eight Hope Academies and Life Skills Center have the *exact same* boards. **Marco Sommerville**, a long time business partner of Anthony Manna – the Brennan's protégé – sits on the board of eight White Hat schools. Sommerville's 2003 financial disclosure statement notes that he has received gifts from Mr. Manna. **Theodore G. Pappas**, president and CEO of the Sumner Organization, a non-profit, non-denominational organization that provides retirement homes and services in Akron – a company in which Joseph R. Weber formerly served on the board and as chair. Pappas served on the board of at least eight White Hat schools. **Robert C. Townsend, II** sits on at least 17 boards, often as president or chairman. **Bert Laurelle Garrett Holt** worked closely with Brennan during her tenure as overseer of the Cleveland voucher program; she's a trustee of 14 White Hat schools. **Edward D. Wilkins, Sr.** is a trustee of 16 schools. **Christopher P. Hitchcock** once served on as many as nine school boards. Before taking the position as Geauga County Treasurer (as a Republican), he was employed by Swagelok Co., based out of Solon, Ohio. The founder of that company, Fred A. Lennon, donated \$20,000 to Hope For Cleveland's Children in 1996. Some regional hubs in the Brennan education network have different boards. But even in these cases, the schools are still dominated by the same faces. For example, in Cincinnati, **Durwood Garland Rorie** serves as board president for three Cincinnati-based White Hat schools; he's also Registered Agent, incorporator, and president of the Children's Scholarship Fund of Greater Cincinnati – a "corporate voucher" program designed to send children to private school. **Howard L. Tomb** serves on the Board of the 3 Cincinnati-based White Hat schools, as does **Dr. Cheri L. Westmoreland** and **Helena Martin**. **Stephen Boone** controls the Columbus-area schools.
- The *Beacon Journal* on June 29, 2003 reported that the Ohio legislature, "[I]literally in the dark of night [...]slipped language into a state budget bill to increase funding for Cleveland's private schools by more than 44 percent in the next two years." The article claimed that the \$10.5 million in new state funding "will cut operating losses at the Cleveland Diocese of the Roman Catholic Church."²¹²
- White Hat Realty, LLC on July 15, 2003 purchases a property located at 12201 Woodland Ave., Cleveland, OH 44120 – the street may have since been renamed Larchmere Blvd. – from **Arlene Zelvy**, Trustee of the Arlene Zelvy Trust for \$385,000. In 2004, it was valued at \$587,500. This building will hold the Life Skills

²¹² Source: "MORE MONEY FOR VOUCHERS." *Akron Beacon Journal*. June 29, 2003

Center of Northeast Ohio. In November White Hat Realty will contract the services of Fiorilli Construction Co.

- WHLS of Ohio, LLC contracts Fiorilli Construction Co. on August 29th to make improvements to property located at 3845 East 131st St., Cleveland, OH 44120 – home of Hope Academy Chapelside Campus. HA Chapelside is listed on the contract document as the Lessee with c/o Robert C. Townsend, II. White Hat Realty, LLC is the owner. The Lessee's designee is WHLS with c/o Ron Canary.
- October 12, 2003, A 2,300-word examination by the *Beacon Journal* of Brennan's powerful influence over education reform in Ohio and his White Hat schools reported that many critics of Brennan's management company have argued "that entrepreneurs have hijacked the charter school concept. The Ohio law, they say, allows Brennan to grab millions of dollars from public schools and put it into his own pockets, without an elected board to monitor spending." The article also describes the inside of a Hope Academy classroom: "A visit to any of Brennan's 12 Hope academies reveals bright and clean classrooms. The children in those classrooms, clad in blue and white uniforms, are polite and attentive. Teachers in blue blazers, Hope emblems on the breast pockets, are authoritative and well-prepared. [...] All of the academies are computer-rich, and there is at least one teacher at each school who specializes in technology." Finally the article noted that White Hat's Life Skills Centers graduate on average 25 percent of its students and called into question its poor standardized test scores: "About 59 percent of all Cleveland public school fourth-graders passed their last state reading test, compared to 19 percent at Brennan-operated schools in the city. Fewer than 5 percent of Brennan's Cleveland sixth-graders passed the state math test." Brennan spokespersons retorted that his charters schools are getting the lowest-performing students.²¹³
- David Brennan and his wife Ann pledge \$10 million over five years to St. Vincent-St. Mary High School. "The school also announced that the Cleveland Catholic Diocese, which leases the land and buildings to the school for \$1 a year, is giving the property to the board of trustees."²¹⁴
- Beginning on December 4, 2003, White Hat Management issues a series of press releases in the *PR Newswire* regarding graduating seniors from its various Life Skills Centers. Each of the PR pieces, when describing White Hat, note: White Hat Management, on behalf of the non-profit boards it serves, *currently operates 32 schools, which employ over 1,100 people, educating and supporting nearly 14,000 students.*"
- White Hat Realty, LLC and 3131 Euclid Corp. reach a leasing agreement, on February 2, 2004 for 3121 Euclid Ave., Cleveland, OH 44114. This building will house **Hope Academy High School**. Two months later, on April 7, 2004, WHLS of Ohio, LLC, as acting representative for White Hat Realty, contracts Fiorilli Construction Co. for building improvements. In the contract document, **Ron Canary**

²¹³ Source: "Low scores smudge White Hat." *Plain Dealer*. October 12, 2003 Sunday.

²¹⁴ Source: "St. Vincent-St. Mary High receives \$10 million gift." *Plain Dealer*. October 18, 2003.

appears as “Facilities Engineer” for WHLS. Additionally, ***Robert Townsend***’s name appears on the contract as a c/o with WHLS when listing the “Name, Address, and Capacity of the Lessee.” Prior to this document, Townsend’s name had only been attached to schools, *not directly associated with the management company as he is here. This is a direct link between Townsend and White Hat.*

- White Hat, on February 9, 2004, announces plans to expand its charter operations in to Florida (WHLS of Florida, LLC was organized as an Limited Liability Company in the state of Nevada on May 29, 2002 – this move had been in the works for some time). WHM has hired Dr. Cathy Wooley-Brown as executive director of Florida operations and initiatives. Wooley-Brown formerly was director of the Florida Charter School Resource Center at the University of South Florida. They intend to open Life Skills Centers to address the Florida drop-out rate. Mark Thimmig, identified as president and CEO of White Hat Ventures, stated: "We provide quality education that fits people's lives. Dr. Wooley-Brown's passion for helping kids who don't have an advocate or voice made her the perfect fit for expanding into Florida."²¹⁵
 - An article in *Crain's Cleveland Business* on March 22, 2004 also covers White Hat's growth. “Locally, the plan calls for moving and expanding White Hat's **Hope Academy High School** in Cleveland to open the school to additional students this fall. More broadly, the pioneering company expects to expand into three new states and to open as many as 20 schools in the next two years.” Additionally, “Mr. Thimmig said he also was in Tampa, Fla., last week scouting new locations for White Hat schools, though no time frame for opening schools in that state have been established. However, the company is targeting next fall to open new Life Skills Centers in Colorado Springs, Colo.; Gary, Ind.; and Detroit and Pontiac, Mich.”²¹⁶
- The Life Skills Center of Colorado Springs announced its opening on May 14, 2004; it plans to enroll up to 300 students. A *PR Newswire* release states: “The Life Skills Center of Colorado Springs is authorized and funded through Colorado Springs School District 11. The non-profit Life Skills Center Board has selected White Hat Management, LLC, one of the nation's premier education service providers, to operate the school.”²¹⁷
- May 17, 2004, WHLS of Ohio, LLC contracts M-A Building and Maintenance Co. for roof replacement and façade work for the property at 6916 Krakow Ave., Cleveland, OH 44105. White Hat Realty, LLC has been leasing the building from the Roman Catholic Diocese of Cleveland since June 7, 2002. The building is the home of Hope Academy Northcoast Campus. In the document White Hat Realty, LLC c/o Mark Krohn represents the Lessee, and WHLS c/o Ron Canary are the Lessee's designee.

²¹⁵ Source: “White Hat Management to Open Charter Schools in Florida.” *PR Newswire*. February 9, 2004.

²¹⁶ Source: “White Hat aims to add schools.” *Crain's Cleveland Business*. March 22, 2004.

²¹⁷ Source: “New Charter Public High School, Life Skills Center of Colorado Springs, Begins Enrolling Students.” *PR Newswire*. May 14, 2004.

- That same day WHLS contracts with HMH Restoration, Inc. and Manning Inc. to make exterior renovations on the building located at 1441 W. 116th St., Cleveland, OH 44102. This property is also owned by the Roman Catholic Diocese of Cleveland. Again, In the document White Hat Realty, LLC c/o Mark Krohn are the Lessee, and WHLS c/o Ron Canary serve as the Lessee's designee.
- On May 25, 2004 WHM registers with the OH Secretary of State trade names for NCLB Tutor and NCLB Tutoring. A month later it registers NCLB Tutors, LLC as a foreign limited liability company (it is incorporated in Nevada). A year later, on April 8, 2005, it registers "Brilliant Campus" as a trade name for NCLB Tutors, LLC. This endeavor seems clearly designed to dip into the federal No Child Left Behind money pot.
- The **Life Skills Center of Arizona** announced on June 10th that it will hold a commencement ceremony for the graduation of 80 students.²¹⁸ The next day, the Life Skills Center of Denver announced the graduation of 25 students.²¹⁹ This leads to another flood of announcements of Life Skills Centers' graduations via the *PR Newswire*.
- Between August of 2004 and May of 2005, Brennan Forest Park Development, LLC sold three properties, ranging in price from \$667,200 to \$875,700, to the Charter Communities, LLC in Florida. These locations are likely buildings for charter schools. *The question of whether Brennan used Ohio money to buy and sell these properties remains unexplored*
- October 15, 2004, (recall the Open-End Mortgage on April 3, 2000 filed by White Hat Realty with Brenlin Holdings Inc. and David L. Brennan Trust 1996 providing a \$5,000,000 loan). On this day, the involved parties file an "Assignment" to that earlier mortgage for the 3320 River Rd. property, with David L. Brennan, David L. Brennan Trust 1996, Brenlin Holdings, Inc. and White Hat Realty, LLC (Debtor) as the "Conveyor" and Brennan Holdings, LLC as the "Conveyee." With that assignment comes a "Subordination Agreement." Essentially, White Hat Realty, LLC intends to take out another mortgage on its property with another entity providing a loan. Brennan, as trustee, agrees that White Hat Realty's first responsibility is to pay off the other, outside mortgage. His loan to WHR comes second. In this case, the outside Mortgagor is National City Bank. Brennan and White Hat execute the same agreement with the 3845 131st St. property in Cleveland on October 18th. In the end, White Hat Realty, LLC mortgages at least three properties (including 12201 Woodland Ave., Cleveland, OH 44120 – this building houses the Life Skills Center of Northeast Ohio) from the bank for \$2,648,000. In the original agreement, Brennan had, in essence, loaned \$5 million to himself. ***Now, he is using properties housing community schools – which were acquired by an entity (White Hat) financed almost entirely by state money – as collateral for multi-million dollar bank loans.***

²¹⁸ Source: "The Life Skills Center of Arizona Graduates 80 Students." *PR Newswire*. June 10, 2004.

²¹⁹ Source: "The Life Skills Center of Denver Graduates 25 Students." *PR Newswire*. June 11, 2004.

- December 16, 2004, U.S. Education Secretary Rod Paige visits the Life Skills Center of Akron.
- The *PR Newswire* reported on January 13, 2005, that White Hat Management had hired **Mary Kay Shields*** “to assist with the company's expansion plans in Michigan.” According to the press release, Shields will help create new Life Skills Centers throughout the state.²²⁰
 - **Note:** Shields, according to the WHM website, “serves as Senior Vice President, Chief Program Officer for Michigan with White Hat Management. Based in Michigan, she is responsible for developing community partnerships to establish charter public schools for at-risk and dropout students.” Prior to that she “was a private consultant providing nonprofit and public policy expertise to clients such as charter school authorizers and the National Charter School Institute.” Additionally, “Ms. Shields has played a key role in the charter school movement in Michigan. As Special Advisor to Michigan Gov. John Engler, she oversaw the creation of the infrastructure necessary to support public charter schools. This included the collaboration with the Department of Treasury to establish the state's first charter school lending program. Later, she was the Executive Director of the Michigan Public Educational Facilities Authority, created by Gov. Engler.”
- According to the most recent perusal of the White Hat Management websites (<http://www.whitehatmgmt.com/>), there are now 20 Life Skills Center locations throughout the state of Ohio, 13 Hope Academies, and of course the online distance learning school.

Brennan's education enterprise is growing outside the state at a breakneck pace. The site lists five Life Skills Centers in Michigan, two in Colorado, one in Phoenix, Arizona, and five in Florida. The site also indicates that locations will be arriving in Texas, New Mexico, Indiana, New York, and Washington, DC – they match the for-profit WHLS LLCs registered in Nevada.

- And they keep coming. On June 13, 2005, a group of familiar faces – Townsend, Dawson, and Holt, along with Clements as RA – incorporated Hope Academy High School – Cleveland Campus.
- A brief summary of Brennan's business exploits and education endeavors in an October 30th article in the *Toledo Blade* noted that White Hat Management now operates 49 charter schools in seven states.
 - On the same day the *Blade* ran an article examining the Pay-to-Play system that many allege is corrupting politics and policy in Ohio. A section of the article focused on David Brennan. Below is the excerpt:

²²⁰ Source: “Mary Kay Shields Joins White Hat Management for Expansion in Michigan.” *PR Newswire*. January 13, 2005.

Schools and fund-raising

In the business world, CEOs look for every edge.

A year after George Voinovich took office as governor of Ohio in 1991, he picked Akron industrialist David L. Brennan to chair a committee studying whether state tax dollars should be used to enable parents to send their children to private schools.

The study prompted the creation of a voucher program in Cleveland, and Mr. Brennan in 1995 opened three schools that received \$2,250 per student.

When Mr. Voinovich ran for re-election in 1994, Mr. Brennan helped raise \$1 million for Ohio Republicans, who gained control of the Ohio House that year, ending a Democratic majority that had stood for 22 years.

A year later, Mr. Brennan became chairman of the finance committee for the Ohio Republican Party, in charge of statewide fund-raising.

Mr. Brennan then pushed for charter schools - an alternative type of public school that receives taxpayer funds but is independent of the public-school system and largely free from state and local regulations. They also receive more per-pupil funding than voucher schools.

In 1997, state Rep. Sally Perz, a Toledo Republican who now is one of Mr. Brennan's lobbyists, succeeded in getting an amendment into the state budget bill to create the first charter schools in Ohio.

A year later, Mr. Brennan formed White Hat Management to manage charter schools. White Hat now operates 49 charter schools in seven states, including 13 Hope-Academies and 20 Life Skills Centers, including one in Toledo.

The Hope Academies are K-10 schools and the Life Skills Centers are designed primarily for high-school dropouts.

Based on enrollment, Mr. Brennan's charter schools have received \$263 million in Ohio tax money since 2002.

Mr. Brennan, his wife, Ann, their daughter, Nancy, and the Brennan political action committee have contributed \$3.4 million to Republican candidates in Ohio and on the federal level since 1989.

"The question is: Has Mr. Brennan purchased undue influence for private profit with these large contributions," said Tom Mooney, president of the Ohio Federation of Teachers.

State legislators in 2002 changed the law to allow charter school sponsors to renew a charter for an indefinite period of time, despite saying in the late 1990s that charters would be up for renewal every five years to hold them accountable for results.

Mr. Brennan, who declined to be interviewed for this article, has said he contributes to political candidates to compete with the teachers' unions.

Since 1990, the political action committees of Ohio's teachers' unions have poured nearly \$3.9 million into the coffers of candidates and the state's political parties. Although more

than half of that amount was sent to Democrats, the PACs did contribute heavily to Republicans as well, including more than \$530,000 to GOP party funds.

Mr. Brennan now is expanding his school-choice enterprise. The federal No Child Left Behind law, the centerpiece of President Bush's education policy, requires all public school districts with low test scores to offer tutoring.

White Hat Management has formed NCLB Tutors to make money from that provision.

- October 31st, Ricardo Teamor begins serving sentence having “previously pleaded guilty to conspiracy to commit extortion under color of official right (Hobbs Act) was well as a substantive Hobbs Act count.” Teamor, 59, “a former attorney and associate of Nate Gray, was sentenced to four months in prison, four months of home detention, two years of supervised release and a \$15,000 fine.”²²¹
- Ricardo Teamor was replaced as Registered Agent for eight WHM charter schools on the same day, November 7, 2005 – eight days after he began house arrest sentence. For each of the schools, April N. Hart took over as Registered Agent. Below is a list of the schools that removed Teamor:
 - 1) Hope Academy Northcoast Campus
 - 2) Hope Academy Canton Campus
 - 3) Hope Academy Cuyahoga Co. Campus
 - 4) Hope Academy East Campus
 - 5) The Life Skills Center of Lake Erie
 - 6) The Life Skills Center of Middletown
 - 7) The Life Skills Center of Canton
 - 8) The Life Skills Center of Summit
 - Teamor *remains* Registered Agent of two WHM schools: **Hope Academy Columbus Campus** and **Hope Academy Summit Co. Campus**. If one were to serve either of these schools papers, they could reach Teamor at his home at 11315 Edgewater Dr., Cleveland, OH 44102. Or he may reside at 39 Oakshore Dr., Bratenahl, OH 44108-1118.
- November 30, 2005, The *Beacon Journal* reports downsizing at White Hat Management. The charter school management company eliminated about 10% of its workforce of 1,800. “About 30 of the company's nearly 350 workers in the downtown headquarters were affected,” said WHM CEO Mark Thimmig. The story also noted, “In the past 18 months, White Hat has launched a number of businesses that also were affected. Among them are tutoring outlets called Brilliant Learning Centers, federally funded NCLB Tutors, online services for home schoolers, iQ Digital video production and a depository of education information called Lydia Learn.” The layoffs also had an impact on one of its largest contractors, SchoolOne, which had to lay off 4 of its employees from a staff of 96.²²²

²²¹ Source: <http://releases.usnewswire.com/GetRelease.asp?id=56854>

²²² Source: “White Hat cuts, realigns its staff.” *Akron Beacon Journal*. November 30, 2005.

- The *Toledo Blade*, along with a number of other Ohio media outlets, on November 30, 2005 reported on the hearing before the Ohio Supreme Court on the constitutionality of the existing charter school program in the state. The current system serves roughly 66,000 students at 297 charter/community schools. The article stated: “The court last ruled 4-3 in 2002 that the system's heavy reliance on local property taxes places students in property-poor districts at a competitive disadvantage with those in wealthier districts. The court, however, then relinquished jurisdiction without forcing the state to respond.” Don Mooney, attorney for a coalition including the Ohio Congress of PTAs, the League of Women Voters of Ohio, teacher unions and other education and civic groups protesting the charter system said: "This court has ruled four times that the state method of funding schools ... is unconstitutionally defective," [...] That's the posture of the state. You run an unconstitutional system at the present time." He went on to say: "Until you have some public accountability, some public official responsible for managing these schools, they are not common public schools." Senator Teresa Fedor argued that several Republicans on the Supreme Court bench should remove themselves from the hearing, citing that their “campaigns received a total of \$130,000 in contributions from David Brennan.”²²³
- The *Akron Beacon Journal* reported on December 4, 2005 that state aid to WHM schools may drop as much as \$17 million this year as compared with 2004 due to falling enrollment numbers in many Life Skills Centers – as much as a 15 percent drop. WHM CEO Mark Thimmig confirmed these numbers and offered a number of explanations: “Life Skills schools have an automated system that removes students who fail to meet attendance policies; there are December graduations that will remove some students from the rolls; and public schools are responding to the competition from charter schools by opening new schools of their own.”
 - Additionally, the article reported the enrollments for the various WHM schools: “Of the 15,673 students enrolled in White Hat schools last year, 2,898 were enrolled in an online school that allows children to study at home; 4,710 were in 13 traditional Hope schools; and 8,065 were in the Life Skills centers, which serve at-risk high school students and dropouts.”
 - Also disclosed was WHM’s revenue from the state of Ohio: “Based on the monthly reports, total state aid to all White Hat schools could fall from \$104.6 million last year to \$94.6 million this year.”²²⁴
- The *Colorado Springs Independent* reported on December 15, 2005 that a White Hat school based in the city, “approved by the Colorado Springs School District 11 board two years ago against the recommendations of district staff and advisers, has earned the equivalent of an “F” on its first state report card.” The timing couldn’t be worse. “The grade comes as the D-11 board prepares to consider a second charter application from the for-profit company that runs the school, White Hat Management.” For more on the article, visit: <http://www.csindy.com/csindy/2005-12-15/news.html>.

Education Empire:

²²³ Source: “Ohio justices hear charter school arguments.” *Toledo Blade*. November 30, 2005

²²⁴ Source: “Brennan charters lose aid, students.” *Akron Beacon Journal*. Sun, Dec. 04, 2005.

Education Empire: David Brennan's White Hat Management Inc.
A Comprehensive Report on the Origins, Evolution and Business Model of
Ohio's Largest Charter School Company

A Report by the Food and Allied Service Trades Division of the AFL-CIO
in cooperation with the Ohio Federation of Teachers
March 2006

1251 E. Broad St., Columbus, Ohio 43205
www.oft-aft.org
614.258.3240