



THE ART AND SCIENCE OF EFFECTIVE DUE DILIGENCE

Step 1: Utilizing Due Diligence to Close Gaps in the Application

Instructions:

What due diligence research should an authorizer undertake to learn more information about the proposed school, the individuals involved in the application, as well as key aspects of the school's proposal?

Use the information below from the application of Sunrise Montessori to answer the following questions:

1. What additional information would you want to know prior to the capacity interview and application decision?
2. How would you go about researching this information?

Information Distilled from the Application of Sunrise Montessori:

- **Board Members:** **Jason Corey**, Real Estate Developer, Self-Employed; **James Greenfern**, C.P.A., Greenfern Accounting; **Janet Corey**, Education Administration, Sunshine Montessori School; **Michael James**, Financial Planner, no employer identified; **Tim Welk**, Education Administration, no employer identified.
- **Education Service Provider:** **Redstar Montessori, Inc.** Application indicates that Redstar Montessori operates several private Montessori schools across the country and was the first Montessori provider to have a charter school approved in South Carolina. The application does not identify which private schools utilize Redstar Montessori. The application does not discuss the performance of the charter school in South Carolina.
- **Proposed Facility:** **4894 S. Tribeca Road**, Jamestown, GA 30234. The application describes that the current facility located at this address is suitable for use for Years 1-2 but additional facility development will be needed at the site in later years to accommodate enrollment growth. The application does not include a picture or description of the facility but states there are currently eight classrooms and a "barn" that can be used for activities and physical education. Proposed rent is \$4K a month plus utilities. No proposed lease is included with the application.
- **Identified Curriculum:** **Redstar Core**. The application states that Redstar Core is used widely in Georgia and is aligned to state standards. The application does not include evidence of curricular alignment or a description of the curriculum at all.
- **Identified School Leader:** **Janet Corey**. The application states that Ms. Janet Corey is currently the principal at Sunshine Montessori, a non-profit private Montessori school that served Jamestown, Georgia for over twenty years.



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Step 2: Using Information from Due Diligence in the Capacity Interview

Instructions:

What questions should an authorizer ask during a capacity interview that utilize information uncovered by due diligence?

Use the information distilled from due diligence on Sunrise Montessori to answer the following questions:

1. What questions would you ask during the capacity interview based on the information uncovered by due diligence?
2. To whom should each question be directed?

Information Distilled from Due Diligence Research:

- Governing Board Relationships: Several websites clearly indicate that Jason and Janet Corey are currently married. Michael James is Janet Corey's son from a previous marriage. Michael James works for James Greenfern at Greenfern Accounting. Tim Welk works for Janet Corey at Sunshine Montessori.
- Sunshine Montessori Operations: The Sunshine Montessori school website indicates that Janet Corey and Tim Welk are administrators at the currently operating private school. Jason Corey and Michael James are also on the governing board of the school. The IRS 990s for the school indicate several years of declining revenue and increasing debt.
- Sunshine Montessori Lawsuit: News articles reveal that Sunshine Montessori is on the verge of closing because of ongoing disputes with their landlord. Court records indicate that Sunshine Montessori is currently defending a lawsuit for breach of contract related to a facility purchase agreement. The landlord has also brought claims of slander and tortious interference against the school. The school has a counterclaim against landlord for breach of contract. It appears from the pleadings that the Coreys also live on the property.
- Redstar Montessori, Inc.: The Georgia Secretary of State has no record of a company authorized to do business in Georgia under Redstar Montessori, Inc. The South Carolina Secretary of State has records of Redstar SC Montessori, Inc. that was administratively dissolved three years ago. Jason and Janet Corey were listed as officers of Redstar SC Montessori. A call to an authorizer in South Carolina reveals that Jason and Janet Corey did present an application for a charter school that was approved. The name on the charter was "Redstar Montessori." The school never opened for a variety of reasons, including issues related to facility development.
- Redstar Core: One of the IRS 990 forms for Sunshine Montessori lists Redstar Core, LLC as a major contractor with an expense of approximately \$2M. Google indicates that Redstar Core, LLC is a Delaware corporation that lists Michael James as its registered agent.
- 4894 S. Tribeca Road: This address is the site of a magnificent eight-bedroom home for sale on three acres in Jamestown. The real estate listing estimates a 30-year mortgage to be approximately \$4K a month. There is indeed a barn on the property.