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Earl Martin Phalen: Ready to ROAR?

Earl Martin Phalen was exasperated when he hung up the phone. He had just gotten his fifth call from the search firm that was looking for a new CEO for Reach Out and Read (ROAR), a large Boston-based non-profit that promoted early-childhood literacy. They had offered him the CEO position several months before, but with the extremely frustrating condition that he quit his job as CEO of Summer Advantage, a small education non-profit he had founded.

Earl, a serial non-profit entrepreneur, wanted Reach Out and Read's position, excited by the impact he could have on the country's children, families and educational system. However, he was convinced that he could achieve Reach Out and Read's objectives while remaining founder-CEO of Summer Advantage. Earl had tried to make a compelling case: "I'm not married and I don't have any kids. Let me spend my free time doing whatever I want, and if it's running Summer Advantage, why should it matter?!" Now, Reach Out and Read was offering to increase his compensation if he would walk away from Summer Advantage. "I've been clear from the start that I'm not leaving Summer Advantage and that I can successfully exceed all of the objectives for their new leader, so why are they still pushing it?" He wondered if he should just end his discussions with them altogether.

The Early Years

Earl's journey began in 1967 in the Massachusetts foster care system, where he lived for the first two years of his life. Meanwhile, in Norwood, Massachusetts, George and Veronica Phalen had seven children but were eager to participate in the civil rights movement by adopting a black boy. Fighting discrimination was particularly important to his mother because her Irish family had faced persecution after immigrating to the United States. Earl's new parents had big aspirations for their youngest child; in a tribute to Martin Luther King, Jr., they made "Martin" his middle name. As the youngest of eight children, Earl received an outpouring of love and family support, developing his self-esteem and identity while growing up in an all-white neighborhood. With family as the centerpiece of his early life, his parents' values echoed throughout the years. Earl recalled, "They always taught us: don't waste anything. Take care of other people. Do your best in all things. I'd come home with four A's and an A-, and my dad's famous line was, 'Well, seems like there's room for improvement.'" (See **Exhibit 1** for an early family portrait and an elementary school class photo.)

Earl discovered his life's purpose during a game of 3rd grade kickball. After Earl's team won the game, a rival team member yelled a negative racial comment at him. Earl was deeply offended,

Professor Noam Wasserman and Research Associate Julia Taylor (MBA 2011) prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

prompting a commitment to combating the discrimination of outgroups. By middle school, Earl's "social justice"[1] calling had crystallized and he had set his sights on being elected the mayor of a city.

Capitalizing on his natural athletic ability, Earl was a three-sport captain throughout middle and high school. However, he was far from the most talented player on the basketball team. Throughout the year, the coach had used Earl as a defensive specialist, telling him he was a terrible shooter. In a pivotal game against another high school, the ball ended up in Earl's hands at the corner of the free-throw line with two seconds left and the game on the line. Instead of taking the shot, he forced a pass to a better offensive player, losing the game. In the locker room, Earl's coach chided him for not shooting. Earl became determined to never again let someone else, even an authority figure, define who he was and constrain what he could become. Driven to become a better shooter, he practiced 500 shots a day, averaged 20 points per game on the junior varsity in college, and made the varsity.

During his junior year of high school, Earl was attracted to Washington, D.C., as a great place to live and he dreamed of attending Georgetown for college. Academics had always came relatively easily to Earl, and he had never spent time focusing on his grades, resulting in a class ranking of 52 (top 25%), which he thought was "pretty good." However, one day during a hallway conversation with a friend who was a cheerleader, he learned that she was ranked 36th in the class, and he once again changed gears and raised his aspirations. His mother commented on his dramatically different lifestyle as he substituted homework in place of TV and social events. The hard work paid off: Earl improved 40 spots in one year, graduating 12th in his class and earning an acceptance to Yale.[2] Earl reflected, "Once again, I said, 'I don't want to hold this belief set any more; I'm going to adopt a new one.' When you're in a fight and you're in a tough game, you find ways to win."

Yale provided Earl with the opportunity to refine his social-justice vision. During an Organizational Behavior course, forced to probe the strengths that could come from his background, Earl began studying African-American history. Heavily influenced by the course and by his older brother David who was a lawyer, Earl applied to Harvard Law School (HLS) but deferred his acceptance to work for the Lutheran Volunteer Corps (LVC) at a domestic violence and homeless shelter in Washington, D.C. That year, he worked 100 hours a week and forged a friendship with the center's pastor who pushed him to continue with law school when Earl was considering dropping out to remain working at the shelter. To give Earl a glimpse of his own potential, the pastor selected Earl to deliver Dr. King's "I Have a Dream" speech to a crowd of thousands. Earl reluctantly returned to the Ivy League, but not without being armed with a rough outline for his first venture.

1+1=2, and Launching BELL

While working for LVC, Earl wrote a letter to his family outlining his vision for thousands of community centers around the United States, and requested only positive advice and ideas to help him execute his vision (see **Exhibit 2**). He did not plan to found such an organization until after law school, but would start laying the groundwork for it. Meanwhile, a Cambridge-based school offering after-school programs for children and adults reached out to Earl and other law students to initiate a mentoring and tutoring program two days per week. During this program, Earl observed that the students were losing ground in the summer: "They were just starting to blossom when we went off to

[1] Social justice is a concept where institutions treat all individuals and groups fairly and without prejudice and provide equal access to the benefits of society through an unbiased and enforceable rule of law.

[2] He admits, "I was actually disappointed I got into Yale. I said, 'I want to go to Georgetown, but I guess I have to go to Yale!'"

do our clerkships. When we came back, they had reverted to where they had been."[3] He began researching academic programs outside of the traditional school day and found that his intuition was supported by decades of research on "summer learning loss," the loss in academic development that a child experiences when school is not in session. By the summer between his first and second years of law school, Earl and his classmate and best friend Andrew (Drew) Carter decided to start an organization to solve the problem, and called it Building Educated Leaders for Life (BELL).

During his first summer of law school, Earl worked in Kingston, Jamaica, documenting police brutality cases and other human rights issues. Although this internship fulfilled his mission to work in social justice, he missed being around children. His boss sent him to an orphanage two afternoons per week, to assist the head teacher. However, after the teacher resigned, Earl was thrust into the role of part-time head teacher. During one math class, a little girl approached Earl and asked how to add one plus one. Earl could not communicate the concept of addition to her, but watched as an older student placed a pen and a crayon next to each other to teach the younger girl how to count. The young girl's eyes lit up, and, pointing to the objects, she said, "One plus one is two! I'm smart." After that, Earl recalled, "I knew at that moment that educating children was my purpose in life."

During Earl's law school years, the BELL team was small and part-time, comprised of four law school students. The team's early vision for BELL was a foundation that would provide grants and scholarships to education organizations and high-performing minority students. Their initial target was $1 million. However, after they were able to raise only $1,300 from their classmates, the team shifted BELL to a direct delivery after-school program with the goal of eventually launching a summer program. Earl was talented at recruiting volunteers and coordinating partnerships with existing education organizations, and Drew was adept at listening to teammates and addressing their concerns, often smoothing over conflicts and uniting the team. However, at the beginning of their third year of law school, Drew decided to leave BELL after graduation. Despite being perturbed by this development, Earl decided to push onwards on his own.

Earl reflected on his founding motivations: "If I had wanted to have someone telling me what to do, I could have gone to work for somebody else. I want to be my own boss, I want to set my own course, I want to chart my own destiny, have my success or failure be on me, not because somebody else told me what to do." Six months after graduation, on November 19, 1992, BELL was incorporated as a 501c3 non-profit, and Earl was officially a solo founder. For the next year, he faced a pressure-cooker environment, feeling like he was taking a full year of law school exams. He constantly reminded himself that he was now responsible for changing children's lives, as BELL was one of very few chances they would have to get onto a different path than the one on which they were traveling.

The stress was exacerbated by Earl's stubbornness. Earl had turned down a law-firm job offer paying $125,000 in order to take no salary at BELL, and he was forced to rely on his parents' support for 18 months until he raised enough money to draw a small salary from BELL. In addition to the monetary strain, his father would give advice during their Sunday morning breakfasts, suggesting cost-cutting measures like increasing the ratio of students to teachers, reducing the after-school program by one or two weeks, and decreasing the daily teaching time from 8 to 6.5 hours. Though Earl did not know the incremental effect of these changes, he argued passionately that any changes to the program would negatively affect the children and families.

During that first year, Earl's best friend from Yale introduced him to Arlene Hudson, who was passionate about education and a graduate of the Harvard Graduate School of Education. Earl hired

[3] Source: Elliott, Scott. "A Summer of Learning." Indy Star. Online: http://www.indystar.com/article/20110724/LOCAL/107240361/A-summer-of-learning.

Arlene as the Chief Program Officer and the very first BELL employee. Arlene, who had grown up in the British education system in Jamaica, had a strong commitment to formality and rigor and became the main architect of BELL's summer learning program (see **Exhibit 3** for Arlene's bio). She crafted job descriptions, developed and wrote the early curriculum and assessments, built a measurement tool, selected books for the reading list, and created the training program for tutors and teachers.

For the first several years, Earl maintained a strong connection with the students. Every BELL employee, including Earl, was responsible for leading or helping lead a site. At 2:00PM each day, the team packed up and went to their respective sites, returning to the office later in the day. Arlene and Earl spent about 40% of their time on site, focusing on the students, staff, and program quality. For Earl, connecting with the children personally on a day-to-day basis was "the only reason I did this job." However, as the team grew, Earl was forced to spend less and less time interacting directly with the students. Eventually, his direct teaching dwindled to zero. He would personally host visits from funders or from newspaper reporters, but was not able to participate in programmatic training.

Recruiting a Board

Around the same time as he was hiring Arlene as his first employee, Earl began recruiting people to serve on his board of directors. The original BELL board (see **Exhibit 4**) functioned as an informal group of advisors to Earl. The board anchor and formal chairman, Dr. Charles Ogletree, a prominent HLS professor and Earl's mentor, was critical to influencing others to join. For the other board members, Earl researched accomplished individuals who had diverse skill sets, and cold-called them to request that they serve as his mentors and board members. Not a single person turned down Earl's request to become a director, and he ended up with a board of eight people by 1994.

Though the board met quarterly, the group did not function as a collective team and Earl sought their advice on an individual basis. The formal board chair would walk into the board meetings, say, "Hello, glad everybody's here. Earl's going to run the meeting now. Earl, what are we talking about today?" and then defer to Earl's agenda for the rest of the meeting.

During the early stages, the board's energy was very high because they fed off of Earl's passion and excitement. All were experienced board members, but enjoyed the respite of serving as a mentor instead of shouldering governance responsibilities. They had no roles, committees, or responsibilities as board members, and Earl retained final decision-making control. Both the board and Earl appreciated this supportive, informal dynamic. Even though members of the board believed that BELL was involved in too many disjointed programs, these concerns were communicated as suggestions and not as decisions. For his part, Earl did not ask the board to take on a bigger role and admits that he "blocked them from playing a more valuable role in the organization."

Fundraising

Earl and Drew's initial plan for BELL was to have BELL provide funding for others' programs instead of running programs itself. Earl envisioned raising $1 million from his classmates,[4] particularly his black classmates. The money would then be distributed to education organizations targeting underprivileged and minority students. Unfortunately, Earl ended up completely disillusioned with his classmates' behavior; he raised a mere $1,300 from them. He grew to resent fundraising. It was particularly embarrassing to him that his non-black classmates provided most of

[4] Earl later admitted that $1 million was a "powerful aspirational goal," but that $100,000 would have been more realistic.

the funds that he did raise. With little success raising money from his classmates, he changed BELL's business model to direct delivery of educational programs, because he could bootstrap such a model and because he felt that he could run a better direct program at the same or lower cost as competitors.

As BELL got more desperate for funds, Earl realized that his aversion to fundraising could be lethal for BELL. Hesitant to target individuals again, Earl decided to focus on philanthropic foundations, which required in-depth grant applications but could yield larger investments. In 1992 and 1993, Earl submitted over 100 grant applications, all of which were rejected (see **Exhibit 5** for an excerpt from a BELL grant application). Finally, he had a small stroke of good luck: $12,500 from Echoing Green, an organization that sponsors promising social entrepreneurs. Earl and Arlene used $10,000 of the fellowship to each take a $5,000 annual salary in 1993.

However, foundation funding continued to prove elusive, leaving BELL teetering on the edge of solvency. Earl was disappointed to learn that many funders often did not follow up on a written grant by conducting a site visit or ensuring that the organization's effectiveness matched the grant application's words, preventing BELL's early programmatic success from helping Earl get funding. Even more frustrating, foundations would celebrate serving 100 more children as "a big win," but Earl wanted to serve millions of children.

At the same time, Earl was puzzled by the funding process because foundations would reject grant requests if the organization appeared to be too financially healthy. Earl said, "If we show we're too healthy, they're not going to give me money. If the budget was $152,000, I knew you had to hit $157,000, just so you're a little bit over. You don't want to hit $200,000, because then they'll say, 'Now you don't need my $25,000.'" The need to avoid large surpluses forced Earl to have to continually raise money. Exacerbating this problem was Earl's ambition to serve millions of children. For two years beginning in 1996, BELL's growth in children served significantly outpaced the growth in his fund raising, and suddenly Earl needed an additional $22,000 every two weeks to make payroll. Desperate, Earl reached out to his father and brother for a series of eight loans, which were accompanied by a lecture on financial management and all the missteps that Earl was making. For their part, the board never stepped in to force cost-cutting, restructure the programs, or support the fundraising effort. Earl shouldered the burden himself.

Eventually, Earl could not bear to ask his family for another loan, and he began tapping his personal finances to save BELL. He did so three times over this two-year period, to the strong disapproval of his father, who pointed out that Earl was already making an implicit donation to BELL by working on a $30,000 salary and that such "doubling down" was irresponsible. Earl argued back: "That's what bootstrap entrepreneurs do! They lay every penny they have on the line to bring their dream to life." Earl's father responded that traditional entrepreneurs might actually have a payout if the venture became successful and exited, whereas Earl would never see a dime in return.

A reprieve came when a prominent venture-philanthropy organization, the Edna McConnell Clark Foundation (EMCF), showed interest in making a significant investment.[5] EMCF began a lengthy due-diligence evaluation. BELL provided full access to detailed internal documents, including board meeting notes, bylaws, articles of incorporation, team backgrounds, and other items on a 20-item checklist. At the same time, Earl was surprised that EMCF did not conduct surprise site

[5] Venture philanthropy, a relatively new field, adapts principles from venture capital to the non-profit sector. Venture philanthropy firms invest in organizations that can generate high social rates of return on their investments (SROI). SROI measures the added social value of an organization by calculating the social, environmental and economic benefits it creates and by attributing a financial value to them using standard accounting and investment valuation techniques. Venture philanthropy firms actively participate in their portfolio organizations to improve the value of their investments.

visits, relying instead on secondhand information. The diligence process wrapped up, and EMCF committed to a $1.25 million investment in BELL, spread over multiple years.

Hiring, Managing, and Firing

In the first two years, the BELL team grew from two to six full-time employees who were sharing a one-room office at Cambridge College. Earl conducted the interviews and made all hiring decisions, usually at the end of the first interview. Earl hired about 50% of the candidates he interviewed. The candidate's passion was far more important than the person's skills because Earl was unsure how the currently undefined job roles would change in the future. Almost immediately, though, the new team began losing steam, and output plummeted despite Earl's tripling the number of staff.

Earl strongly believed that "the concept of work-life balance was made up by a middle-manager with too much free time. Harriet Tubman would have never needed a three-day weekend." He discouraged vacations and three-day weekends because he expected each member of the team to match his passion for BELL's mission. Most of the staff complied and never took vacations, and the few who did felt "guilty" about doing so.

Early on, Earl and Arlene fought about using low salaries to screen out candidates who weren't passionate about BELL's mission. Earl felt that money could temper that passion, and he wanted to be doubly certain that each team member was hired because of his or her love of BELL's mission. He resolved to pay salaries at the low end of the pay grade (to him, working 50 hours per week for $50,000 per year was not a "sacrifice"), wanted to be protected against hiring people who couldn't get another job, and felt that underpaying would thus strengthen BELL's hiring practices. Arlene believed that Earl wasn't being realistic and risked losing the best candidates. Earl reflected on those tumultuous early years: "We finally raised some money, and I thought the pressure would come off because now we would have a team of six highly-productive people. However, that year showed me that you need to have the money, but, more importantly, you'd better have the talent."

As a sports team captain at Yale, Earl had been direct and clear with expectations and feedback, and had forcefully conveyed the message that if mistakes weren't corrected, players would be "benched." At BELL, he used the same approach to try to turn around his troubled working relationships, even though there was no way to bench his employees while still keeping them on the team. For instance, he tried for months to provide his third hire with constructive guidance, but nothing he said changed her performance. He felt an immense sense of guilt for having to fire someone he had hired, and instead hoped that she would voluntarily quit. When he finally mentioned that she might have to leave BELL, she tearily said that she had too many expenses to be laid off. Earl comforted her and offered her another chance. Three weeks later, they were back in the same position, further poisoning the culture at BELL and sparking complaints from other employees. Earl ended up spending an inordinate amount of time and energy thinking about issues within his team, even waking up thinking about them.

Over a three-month period, Earl ended up firing his early team, then ceded recruiting and hiring control to Arlene. He allowed her to conduct the first round of interviews, perform reference checks, and use a structured process for evaluating candidates. Earl only interviewed a candidate during the final round when there was a need for someone to make a decision between two heavily vetted candidates. The new process succeeded in finding Tiffany Cooper, who had previously worked as a teacher and had a PhD in Education Research, Evaluation and Measurement. (See **Exhibit 3** for Tiffany's bio.) She promptly implemented rigorous measurement systems at BELL at a time when few non-profits were concerned with using such "evidence-based" programs.

New Profit Inc., New Board

After one particularly difficult firing, Earl had weighed options for communicating the firing decision to the rest of the team, and had decided to use the incident as a "teaching moment" about the organization's values. However, his discussion with the team resulted in a near-lawsuit over defamation of character. The board held an emergency board meeting to discuss the incident, which was resolved after a financial payout to the former employee. Afterwards, Earl became frustrated when he compared the board's reaction with its inaction over BELL's impending financial insolvency.

One board member added during the early years was a community organizer from a past BELL partner school who was like a "pit bull," handling tough conflicts with external partners. In 1998, she also turned her attention to internal issues within BELL. For instance, when Earl asked to increase his 5-year salary from $20,000 to $30,000 once BELL reached an operating budget of $500,000, she told Earl he was selfish and lectured him. Similar conflicts with board members soon emerged.

BELL began targeting New Profit Inc., an active-management venture philanthropy investor, as a potential funding partner. Earl made a pitch to the leadership team, and they expressed interest in providing funding for BELL. Earl was intrigued by the possibility of receiving a $1 million investment spread over four years and strategic consulting advice. However, New Profit wanted to tie their investment to specific requests, a standard request for non-profit donors. For instance, New Profit's template for non-profits called for founders to be limited to a non-operational role while a COO took over the day-to-day leadership of the organization. Thus, New Profit provided BELL with $125,000 to hire a COO during a "getting to know you" trial period.

Additionally, as part of its pre-investment due diligence, New Profit conducted a board evaluation and concluded that even though the individual directors were valuable, the board was weak as an overall functioning body. Not only was the board not governing, it wasn't giving or getting significant donations[6], and wasn't mobilizing resources and networks to push BELL forward. There were no active committees, no regular structured meetings, and no defined job responsibilities. After New Profit conducted individual interviews, they commented that some board members – most obviously, the "pit bull" – seemed to be competitive with Earl instead of being supportive.

Because his board was comprised of volunteers without term limits, Earl hadn't been able to ask problematic board members to leave. Now seeing an opportunity to address the conflicts between him and the board, Earl agreed to give New Profit full rein over the board transition. New Profit re-wrote board role descriptions and developed new standards of accountability for the board members, which included a minimum annual giving amount. New Profit created a restructuring process wherein members could choose whether to stay or leave the board. In the end, the problematic board members did leave the board while Earl's early mentors remained. With their departure, he added four new board members and found a new chairman who took on the responsibilities of running meetings, developing the agenda, and leading the board. The members of BELL's new board were impressive, and included senior executives at prominent financial-services firms and other organizations who immediately contributed financially to BELL. Many of the long-time board members were tired after serving for the initial seven years of BELL, but the new challenge of building a world-class board helped inject a renewed sense of excitement.

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[6] According to a recent BoardSource survey, 68 percent of nonprofit organizations have a policy requiring board members to make a personal contribution on an annual basis.

Three Cooks in the Kitchen

With the closing of its initial trial investment of $250,000, New Profit now joined EMCF as venture philanthropists who were deeply involved with BELL, though EMCF provided more financial backing than New Profit did. At the first board meeting after New Profit came onboard, Earl had an unexpected realization: although the two philanthropic organizations had seemed to be aligned in their desires to have BELL grow by serving more children, they actually had completely opposing visions of how to do so. New Profit advocated a "broad but not perfect" growth strategy: a goal of reaching over 1 million children, with a target of 80% effectiveness (i.e., 80% of children achieving maximum academic improvement). In contrast, EMCF argued that BELL shouldn't expand beyond 10,000 children until the program became 99% effective. Earl, eager to make an impact on as many children as possible, identified more with New Profit's broader approach. After the board meeting, both philanthropists called Earl immediately to persuade him individually, turning the situation into a painful tug of war with Earl caught in the middle. The tension between the two visions would have serious operational implications for BELL's growth strategy and execution.

As a result of New Profit's COO requirement, BELL ended up suffering through two failed COO hires. First, they hired a first-time COO who, despite his enthusiasm, was perceived as too aggressive and made rookie mistakes. During the COO's three-year tenure, Earl never felt comfortable turning the operational reins over to him. After that, New Profit introduced a performance clause that turnover in the COO position would be viewed unfavorably during their investment evaluation. BELL then hired an experienced private-sector executive who had just retired from his corporate job and was expecting "a sabbatical position," only to be surprised by BELL's demanding schedule.

Earl began to question the value of New Profit's involvement. With the additional expenses incurred by acceding to New Profit's requests, BELL was now spending more than New Profit's $250,000 annual donation, and New Profit's funding was relatively insignificant given BELL's $10 million budget. (See **Exhibit 6** for the breakdown of major funding sources.) Earl's worries were heightened when New Profit signed on for the full $1 million investment and asked to have a formal seat on the board of directors.

Torn, Earl discussed these issues with his parents. To his mother, it sounded like he had stopped leading and was instead trying to figure out the path of least resistance between the two donors. Earl took her advice to "return to leading the organization without apology," accepting the risk that one or both donors could leave. For the first time, Earl realized that two of his goals had been in conflict with each other: his broad goal to impact the largest number of children possible had been compromised by his goal to create an effective organization. In the end, Earl refused to give New Profit a board seat, but agreed to add a new outside director who New Profit thought would be a valuable addition. With Earl's renewed sense of leadership, EMCF increased their share of funding, investing over $5 million total, while New Profit retreated and did not renew their funding.

Over time, Earl acclimated to his new board. He began to enjoy it when the board took ownership of financial and governance issues, acting as a partner and not just a casual group of mentors. Instead of relying on Earl to respond to (and often refuse) employee requests for higher pay, the board took responsibility for setting a pay scale and approving a finite bonus pool. Earl breathed a sigh of relief and realized that he no longer had to carry the weight of the world on his shoulders alone:

> Originally, the board members were individuals who were supporting me, the mission, and others. They would offer advice and suggestions, but I would leave the board meeting with six pages of things I'm supposed to do. Now, the finance

committee takes one issue, the development committee takes another, and the governance committee handles another.

The Urge to Merge

In the summer of 2002, Arnold Schwarzenegger approached Earl with an opportunity. Arnold's California-based organization, Inner City Games (ICG), was a large but low-impact non-profit in 19 cities (one of which overlapped with BELL). After a national CEO search, Arnold offered Earl the prestigious position. Earl knew that BELL would not survive if he left; BELL's management team, though strong, did not have a clear successor as CEO, and Earl's leadership was critical to fundraising. Though the opportunity was a clear step up for Earl's personal career, he was unwilling to walk away from BELL, now a $5 million organization, without a feasible succession plan.

Instead, Earl knew that mergers were common in the private sector, and proposed a merger between the two organizations. According to his plan, ICG would increase its effectiveness by adopting BELL's evidence-based after school and summer learning programs, would provide $200,000 in seed funding to each of BELL's three locations, and would grow its national presence to 21 U.S. cities by adding BELL's locations. BELL would have access to ICG's national infrastructure in 19 new cities and would gain the political connections necessary to scale across the U.S. To Earl, the merger was a win-win, and Arnold agreed.

However, BELL's board disagreed, believing that Earl would be spreading himself too thin. Earl argued in vain that he could deliver results for both organizations, but the board quashed the idea of a merger. Outside of being united in its opposition to the merger, the board split into two opposing camps regarding the ICG offer. Earl's earliest personal mentors believed that Earl should take the CEO position because it was an opportunity to serve hundreds of thousands of children, to develop professionally by working for a new board and team, and to earn five times his salary. Many of them felt that Earl "deserved" this opportunity after ten years of toiling away at BELL. On the other hand, several of the newer board members wanted Earl to remain at BELL for the health of his own organization. In the end, Earl remained at BELL, frustrated that he hadn't been able to merge the two organizations and that he could no longer sway decisions within the board.

Creating a Sustainable Growth Engine

Though BELL's budget expanded at a steady pace, the actual number of children served grew very slowly, and Earl's frustration intensified. A decade after founding BELL, he commented, "We have a proven, outstanding program and can only serve 1,000 scholars. Given my life's purpose, this can't be it. If I told the foundations that I wanted to double to 2,000 children, the earth would explode because they traditionally have very low growth expectations for local organizations."

Focused on maximizing student-outcome metrics, Earl and his team paid little attention to reducing expenses, and even resisted doing so if there was any chance that reducing expenses could compromise student outcomes. For instance, in 1993 when BELL first began offering a summer program, the teacher to student ratio was one certified teacher and two teaching assistants (generally college students) per 18 children. Though the certified teachers provided feedback that having two TAs was distracting and a waste of time, the model persisted for five years because cutting TAs might adversely affect outcomes. It was only when BELL hit a financial crisis in 1996 that it was forced to scale back, remove the extra TA, and increase the student class size to 22. To Earl's surprise, these cutbacks had no detrimental effect on academic gains. Outcomes, in fact, increased.

BELL's overhead costs grew as they opened offices in New York, Boston, and Baltimore with over 100 full-time employees. Those high costs began to constrain BELL's strategic options. On average, the cost to deliver the BELL summer program was about $1,500 per child, with $572 going to overhead alone. However, school districts could only fund summer programs at $500-600 total per child. Earl was interested in shifting BELL to a summer-only program because summer outcomes were far more robust than after-school outcomes: during the ten-month school year, children gained 10 months of academic growth in the after-school program, compared to 6 months that could be gained in a two-month summer program. (Summer gains were also clearer to document, given that BELL would be the children's only educational influence over the summer.) But, with BELL's high overhead, such changes would be too painful: full-time staff would have to be down-sized and transitioned to seasonal staff, BELL was locked into multi-year leases, its IT system and infrastructure were expensive, and donors who were attached to the after-school program would be disappointed.

In 2004, a new federal government grant piqued Earl's interest. The No Child Left Behind (NCLB)[7] Act included a large pool of funding for Supplemental Education Services (SES)[8] for children living in underserved communities. In contrast to other after-school organizations, BELL had impressive evidence supporting the effectiveness of its programs; because of Earl and Tiffany's early commitment to measuring outcomes, BELL had been tracking data through independent research for over a decade, as was now required to qualify for NCLB funding.

However, with BELL 's high cost structure, it would be difficult to reach the average price point of $1,000 per child for after-school services. In a painful tradeoff, Earl decided to reduce the length of BELL's after-school program from 30 to 22 weeks to fit the SES voucher program so that $800 would be covered by a federal grant on a per child basis and the remaining $200 would come from philanthropy. BELL received NCLB approval in 2004. The board approved the shift to government funding, but was only cautiously optimistic about the shift because government-funding amounts were susceptible to the drastic swings of U.S. federal-government politics. Earl was careful not to overstate BELL's potential NCLB performance to the board because BELL still needed to adjust to the federal grant learning curve. Because the NCLB voucher system depended on children and parents to accurately file paperwork, Earl was also concerned that BELL might receive less money per child than expected. Despite a chaotic first year, BELL had immediate financial success, gaining a $1.5 million surplus in the first year, compared to a typical surplus of less than $100,000. After the first rocky year, Earl said: "We started to beat the for-profits because we were better at building relationships with parents in the community. We beat the Kaplans, the Kumons, and the Sylvans in head-to-head bids for school districts like Baltimore."

The shift in funding sources produced exponential growth for BELL because they were paid for every child served. (Previously, each additional student generated an expense that had to be covered by fundraising.) By changing the revenue model, BELL's budget increased 12-fold, from a $2 million to $24 million organization (see **Exhibit** 7). Earl had found BELL's economic engine, but not without several painful choices. NCLB required BELL to hire unionized teachers instead of college students,

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[7] The No Child Left Behind Act (NCLB) of 2001 supports standards-based education reform based on the belief that setting high standards and establishing measurable goals can improve individual outcomes in education. All government-run schools receiving federal funding must administer a statewide standardized test annually to all students. Schools that receive Title I funding through the Elementary and Secondary Education Act of 1965 must make Adequate Yearly Progress (AYP) in test scores. Schools not meeting AYP goals for multiple years are placed in public "needs improvement" categories and eventually re-constituted after the fifth consecutive year (includes closing a school or turning it into a charter school). NCLB was the first federal education act that required schools to set equal academic standards for all students.

[8] Supplemental Education Services (SES) supports free extra academic help in core subjects like math and reading that is provided before or after school, on weekends, or in the summer.

which resulted in a teacher wage increase. To compensate for the increased expenses, BELL had to reduce the after-school program length by almost 50%, from 35 weeks to 18 weeks. Many people inside BELL and in the broader community criticized Earl, saying that the organization had lost its roots and was no longer a place for families to send their children for childcare as well as academics. Earl tried to remain focused on BELL's broader mission to improve academic performance, and he was confident that many more children could now be served than before.

Leaving BELL

With the growth of BELL's programs came more publicity. Though the program was small in terms of number of children served, it was highly rigorous and demonstrated greater academic gains than its competitors (see **Exhibit 8**). In 2006, *Fast Company* magazine awarded BELL the Social Capitalist Award as one of "the top 25 organizations changing the world" by creating sustainable solutions to urgent social issues. Earl was also attracting attention from leaders in the public and non-profit sectors and was fielding several CEO offers from major non-profits.

Earl faced a personal crisis when his father passed away in 2008, and he considered making a professional change. Personally, Earl found his CEO role less than fulfilling because it took time from what he loved – helping children. He began to look for outside forms of motivation, such as watching the *Eyes on the Prize* series[9] regularly to remind himself why he was leading BELL. Competing with other education leaders became another strong motivator for Earl. He reflected, "I wanted to beat them, I wanted to have a better organization than they had. I like to compete, so I might as well use that as a strength!" He reflected on his mixed emotions as he considered leaving, saying, "The bigger BELL has become, the harder it is to maintain the intense work ethic yet open free-spirited culture we had in the earlier days. I'm thinking about looking for a fresh start for BELL as well as for me."

Earl had first discussed leaving BELL during the potential ICG merger, but at the time he hadn't been able to leave while BELL was fighting for survival.[10] However, Earl became reasonably certain that Barack Obama, his classmate at HLS, would be elected president of the United States, and he prepared to serve in the Obama Administration if the opportunity arose. Over the last few years, Earl had given Tiffany growth opportunities in complex leadership roles (she was currently COO), and now he positioned her to succeed him as CEO. With Tiffany and a world-class board, Earl believed that BELL was ready to thrive without him. Although Earl lobbied the board for Tiffany to be promoted from COO to CEO, the board conducted a formal CEO search, interviewing several external candidates. After 16 years, in the fall of 2008, Earl stepped down as CEO of BELL. Eventually, the board officially appointed Tiffany as CEO.

Summer Advantage USA: Better, Faster, Cheaper

After leaving BELL, Earl spent time reflecting on the pieces of BELL that had the most potential, settling on the summer program. At $1,500 per scholar, summer learning at BELL had cost the same as the after school program, and its cost was much higher than districts could pay. Earl hypothesized that a $1,000 price point might be scalable, though, and thought about starting a new organization called Summer Advantage USA to focus on summer learning.

[9] *Eyes on the Prize* is a 14-hour documentary about the African-American Civil Rights Movement using primary sources to depict the movement in the U.S., specifically highlighting the ordinary men and women who sparked the movement.

[10] Additionally, it was common in the non-profit sector for founder-CEOs to remain in the same top position for years – even decades – so Earl had little external pressure to leave.

Earl planned for Summer Advantage to serve ten times more children than BELL did (see **Exhibit 9** for a grant excerpt). Given this, he decided to limit fundraising from foundations because their small grants had limited BELL's growth in the past, they had fickle and short-term donation patterns, and they often reduced grants to financially stable organizations. In contrast, four major pools of federal funding existed that could enable Summer Advantage to scale to well over 100,000 children served. He commented, "I'm going to do it bigger, better, and faster. I am going to serve more children, more effectively, and for less money." Earl began working with two HBS students on a business model that mimicked part of the BELL model, but at a much lower cost. To launch Summer Advantage, the original business plan included about $2.5 million from foundations and individual donors, but he didn't want to be dependent on them for Summer Advantage's long-term survival.

Earl and his team worked quickly, launching the Summer Advantage program ahead of schedule in summer 2009. He had six weeks to get the program up and running for 800 students. (See **Exhibit 10** for a typical day at Summer Advantage.) To reach the $1,000 target price point, Earl shortened the program from six to five weeks, which reduced average academic gains from four months to 2.5 months in the summer. Compared to an average 3.5-month loss with no summer program, Earl was satisfied with the tradeoff because it allowed him to avoid most philanthropy funding.

As is, the philanthropic market was extremely limited in 2008 due to the U.S. financial crisis, forcing Earl to cut costs even further. He first focused on outsourcing and eliminating operations. He planned to maintain a completely virtual headquarters so that there would be no infrastructure or IT costs. Another cost saver was convincing the school districts to use their own IT systems for Summer Advantage, a novel approach to public education partnerships. To facilitate enrollment, they implemented a paperless system where every child received a unique identifier, saving 10,000 paper applications. Summer Advantage reached the $1,000 price point by its first summer in operation.

Hiring and Firing

To lower overhead expenses, Earl also experimented with cutting certain employee benefits – most notably, health care benefits. As the team grew to eight, though, Earl lost a few talented candidates due to Summer Advantage's minimal benefits package. In response, he instituted a basic health benefits package that he negotiated on an employee-by-employee basis.

Earl decided to adopt a standard vacation schedule and began paying salaries at the high-end of the pay band, a radical departure from his prior belief that passion and service should not be well compensated. Having seen the toll introduced by constant financial worry or by the pull to leave for a job with a higher salary, Earl wanted his team to reach the same level of passion and commitment without the worry and temptations to leave.

Earl also implemented phantom equity for his staff, placing surplus profits into a pool that was allocated to the staff in the form of a base pay increase and one-time bonus. In general, boards of directors and foundations would not approve of such a system, and individual donors and foundations would object to investing money that would be funneled into a pool for employee bonuses. At Summer Advantage, though, school districts would be unconcerned about the organization's compensation system; the district's criteria were only the price point and the results.

At BELL, Earl had resisted hiring COOs, but with Summer Advantage's priority on cost savings, a COO would be the organization's most important hire. Earl decided that Terra Smith, his former girlfriend and his best friend, was the right candidate for the COO role (see **Exhibit 11** for Terra's bio). An attorney by training, she had built an independent HR consulting business. Earl initially made her responsible for talent recruitment, one of his major costs, later realizing her capabilities in process efficiency, down-sizing, and technical systems design. Earl intended to eventually hire additional full-time staff for HR and IT, but Terra was capable of an early multi-functional role.

Thanks to his virtual-headquarters concept, Earl decided to use an external recruiting firm to hire his team regardless of each candidate's location. With this core team, Summer Advantage could scale up and down during the summers, hiring hundreds of teachers and support staff to teach thousands of children. Earl also learned how to handle difficult employees quickly and effectively, pushing himself to discuss any issues within two days of complaining about them to a friend. With the new model, though, he also didn't have to deal directly with problems with his seasonal employees.

Board of Directors

Even though he retained a personal circle of advisors, Earl appointed his two best friends, including Terra, to serve on Summer Advantage's board of directors and have fiduciary responsibility. Earl commented, "I don't want to spend a lot of time building and managing a board. I want to 'own' a business myself." Earl felt that his BELL work experience had given him enough knowledge to plan and execute the model effectively, especially because he would be "doing five things at Summer Advantage instead of 152 at BELL." He felt that there was no reason to form a board that would echo what he already knew. His main challenges would be meeting with school districts, traveling non-stop, and selling the program, all of which were outside the responsibilities of a typical non-profit board (which usually focuses on fundraising).

Summer Advantage's lean and flexible infrastructure, staff, and board were an immediate success. Summer Advantage was recognized by the White House initiative United We Serve, by *Time* magazine, by *Parenting* magazine, and by MSNBC as one of the few evidence-based summer learning programs in the U.S. During the summer of 2010, its second summer in operation, 3,000 children were enrolled in the academic program and demonstrated an average academic gain of two months at a lower cost than BELL (see **Exhibit 12** for Summer Advantage performance data). Earl reflected on his success with Summer Advantage after two years in operation:

> We plan to have Summer Advantage serving 9,000 children after three years, even during the financial crisis. To put it into perspective, it took BELL 13 years to reach the same level of impact. If someone gave me $10 million today in growth capital – the amount we raised at BELL – I could virtually guarantee that we could serve 25,000 children by summer of 2012, which is five times the impact of BELL at the same stage.

Never one to rest on his laurels, Earl began contemplating a new, possibly for-profit, business model for Summer Advantage. NCLB provided a new market for entrepreneurs to profit from school districts by developing and selling assessment tools and teaching technologies or after-school and summer programs. Shifting Summer Advantage to a for-profit model might also enable Earl to launch a robust profit-sharing program for employees, raise money from a broader pool of investors who encourage high growth rates, and personally challenge himself to succeed at something completely new by managing a private company. He wondered if he should make such a shift.

Ready to ROAR, Too?

While he was debating the next move for Summer Advantage's second year, Earl heard a story about an entertainer-turned-entrepreneur who ran five businesses. Earl was intrigued by the challenge of doing likewise in the non-profit sector. He began to search for another organization to lead in addition to Summer Advantage. Though he had declined impressive offers in the past, Boston-based Reach Out and Read (ROAR) approached Earl about taking over their CEO role. Reach Out and Read, a $27 million organization that was serving about 4 million children annually, promoted early-childhood literacy through 28,000 pediatricians by giving new books to children and advice to parents about the importance of reading aloud.[11]

Earl was hesitant about leading an organization he hadn't founded, but after evaluating Reach Out and Read's twenty-year history, he decided "it was an organization that has needs in my sweet spot. It needs a fundraiser, it needs a strong leader, it needs somebody who can think about organizational design, and it needs somebody with a relatively big mouth that can raise the brand and profile of the organization. I can do all those things." Another positive factor was the focus on early childhood and interacting with parents. Earl believed that parents were a child's first and most important teachers and the source of values and aspirations. Earl believed that Reach Out and Read had the potential to become the most powerful educational organization in the country. Ensuring high levels of parental engagement, and that all children arrive at school ready to learn, could transform millions of children's lives and the future of the country. By using pediatric care as a method for program delivery, Reach Out and Read had achieved dramatic scale on a quarter of BELL's budget, and Earl could realistically see a future where Reach Out and Read would give every child living in poverty in the United States a chance to realize their innate potential.

However, members of the Reach Out and Read board weren't comfortable with Earl's simultaneously leading Reach Out and Read and building Summer Advantage, and instead wanted him to be their full-time CEO. During lengthy discussions with the board, Earl insisted that he would meet or exceed the board's goals, and that he was capable of managing both organizations since he did not have a family to prioritize. Despite his arguments, the board was wary of this setup because the founder-CEO and his successors had been part-time leaders, with mixed results. Thus, they insisted that Earl relinquish his CEO title at Summer Advantage, at most remaining its chairman. Furthermore, they were concerned about fundraising conflicts – for instance, at Reach Out and Read fund-raising meetings, would Earl instead pitch donors on investing in Summer Advantage?

The Reach Out and Read position presented other challenges. Culturally, Reach Out and Read's staff had a "9-to-5" culture that was quite different from the culture at Summer Advantage, and it would be the first time that Earl had not had a hand in selecting his employees and his board. Less important to Earl, but a factor that conflicted with his belief that any work environment should represent the diversity of both the U.S. and the population served by the organization, was the fact that Reach Out and Read 's regional leadership and staff was nearly 100% white.

Furthermore, Reach Out and Read had already burned through two new CEOs who had tried to take over from the founder. As a result of its lack of a clear leader at the top, at the next level down in the organization Reach Out and Read had three chiefs fighting for control, with factions of staff members supporting each one. Additionally, Reach Out and Read was much more dependent on foundation grants than BELL or Summer Advantage, which would force Earl to return to his stressful days of foundation grant-writing.

Earl was inclined to accept the Reach Out and Read CEO position, excited about the chance to lead two organizations, strengthen a high-potential organization, and impact early childhood education and the futures of millions of children. Should he give up Summer Advantage to do so? Should he ROAR?

[11] Source: www.reachoutandread.org

Exhibit 1 Phalen Family Photo and Elementary School Photo

Source: Company documents.

Exhibit 2 Excerpts from "A letter to the future" (12/18/89)

What I would like to start next year in Boston is an innercity day care drop-in center.

I think what might be an alternative is an afternoon drop in center. Location? A place where school children could go after school and be in a relaxed environment that was conducive to studying. I know that I could recruit volunteers to come (volunteers with tutoring skills) from Harvard.

My primary criteria is to find a way to serve innercity Black youth.

Please let me also state that no matter how naïve this may all seem, I know that it can be done.

How does one go about applying for government grants, or is private fundraising a better route to head?

I realize that there are a lot of questions that need to be answered (and I am sure that there are thousands of other questions which need to be addressed that I haven't even thought about), but we have start somewhere.

Once again, I would really appreciate any feedback that you might want to offer.

Thanks,
Earl

Source: Company documents.

Exhibit 3 Biographies for Key BELL Personnel

Arlene Hudson grew up in the Jamaican education system and attended Cornell University, graduating with a degree in Biochemistry. She developed a passion for education after her undergraduate career and started an after-school and summer tutoring program at her home church in Harlem, New York. She then pursued a masters degree in Evaluation of Educational Programs at the Harvard Graduate School of Education and began her education career at BELL as the Chief Program Officer. Her BELL responsibilities included building the program design, selecting and developing the curriculum, developing assessment tools, developing and staff training programs, implementing a sourcing and recruiting strategy, and directly managing sites. She also holds an MBA from San Diego State University.

Tiffany Cooper is responsible for all curriculum development, assessment and evaluation activities, and policy-related initiatives. Most recently, Ms. Cooper assisted Senator Barack Obama's office in the development of the STEP UP Act (December, 2005). She presents frequently at educational conferences, having delivered keynote addresses at the 2005 Grantmakers for Education National Conference and the Center for Summer Learning's National Conference. She holds a Bachelor's degree in Psychology from Boston College where she is currently a PhD candidate (ABD) at the Lynch School of Education. She has an eight-year tenure with BELL and has previously served as Teacher's Assistant, Tutor, and Site Manager. Ms. Cooper is a part-time instructor in Educational Research, Measurement and Evaluation at Boston College.

Source: Company documents.

Exhibit 4 BELL Board of Directors, 1993-2009

As of December 1993	1994	March 2006	2009
Prof. Charles Ogletree	<same>		
Dr. Robert Peterkin	<same>	<same>	
Ruth M. Batson	<same>		
Earl Martin Phalen	<same>	<same>	
Bayley Mason	<same>		
Andrew L. Carter		<same>	<same>
	Maurice L. Coleman	<same>	<same>
	Robin Wilson		
	Kathy Reddick		
		Nicholas Bogard	<same>
		Joseph Buckley	
		John J-H Kim	<same>
		Debra Knez	<same>
		James Phalen	
		Chris Piela	<same>
		Dr. Lauren Smith	<same>
		Laurene Sperling	<same>
			Kathleen Kelly
			Gene Guill
			Soren Oberg
			Dr. Tiffany Gueye
			Donald Manekin
			Doug Miller
			Justin Sadrian

Sources: Compiled from www.bellnational.org and www.experiencebell.org accessed July 2011 and case interviews.

Exhibit continued on next page...

Exhibit 4 (continued) BELL Board of Directors, 1993-2009

	Joined Pre-Restructuring	Joined Post-Restructuring
Earl's Mentors, Friends and Family	Ruth Batson, Executive, Batson Educational Fund Andrew L. Carter, Cofounder, BELL Bayley Mason, Director of Corporate and Foundation Relations, Harvard University Prof. Charles Ogletree, Jr., Professor Harvard Law School Dr. Robert Peterkin, Superintendents Program Director, Harvard School of Education James Phalen, Executive Vice-President, State Street	
Foundation or Funder Representatives		John J-H Kim, President and CEO, Rakuten, Inc. Debra Knez, Trustee, Richard and Susan Smith Family Foundation Doug Miller, Executive Vice President, State Street Corporation Laurene Sperling, Sperling Family Foundation
High Potential Donors/ Thought Leaders		Kathleen Kelly, Portfolio Manager, Kingdon Capital Management Donald Manekin, SVP, Seawall Development Company Soren Oberg, Managing Director, Thomas H. Lee Partners Justin Sadrian, Partner & Managing Director, Warburg Pincus
Business Thought Leaders	Maurice L. Coleman, Executive, Bank of America Robin Wilson, Executive, Isaacson and Miller	Joseph Buckley, retired executive Nicholas Bogard, President, J. Nicholas Arthur Gene Guill, Managing Director, Deutsche Bank Chris Piela, Regional Vice-President, Liberty Mutual Montgomery Insurance Dr. Lauren Smith, Medical Director, Boston Medical Center
BELL Staff	Earl Martin Phalen, Founder and CEO, BELL	Dr. Tiffany Cooper Gueye, Chief Executive Officer, BELL
Other	Kathy Reddick, Parent and Community Organizer	

Source: Company document.

Exhibit 5 Excerpts from BELL EFA Grant Application: Requesting $150,000 over two years (EFA, 2001)

The B.E.L.L. Foundation has built a solid school partnership network with a current capacity to reach 1,000 elementary school children with school year and summer academic programs. B.E.L.L. is requesting $150,000 ($90,5000 in year one, $59,500 in year two) to redesign its BASICs curriculum, create a revised training model, and implement the revised curriculum across multiple program sites nationwide. We are confident that with EFA funding support we will be able to build our revised curriculum into one that enables more children to succeed.

Goal - The primary goal of our curriculum redesign and subsequent training and assessment initiatives, remains the same as our current goal with our existing curriculum - to effect a profound and measurable impact on student academic achievement.

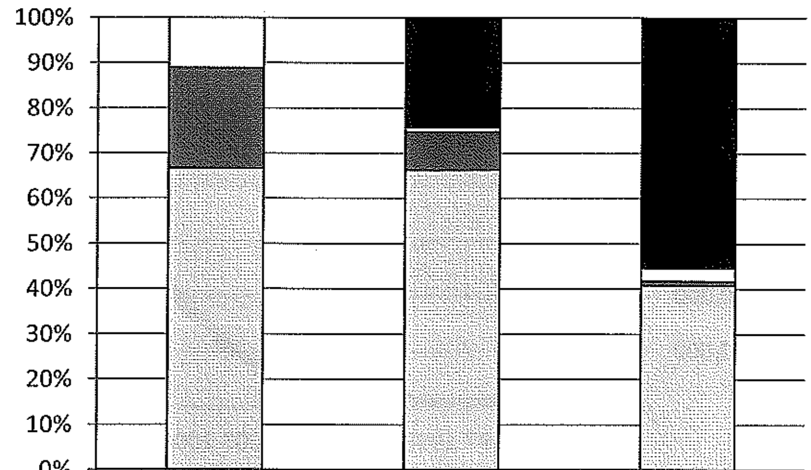
Strategy - We have two desired outcomes that will be supported by EFA funding. These are listed below, along with the action steps required to achieve these outcomes.

Outcome #1: Thorough and comprehensive redesign of the B.E.L.L. curriculum.

Outcome #2: Create a model for training staff to use the revised BELL After School Program curriculum.

Source: Company documents.

Exhibit 6 BELL Sources of Funds[12]

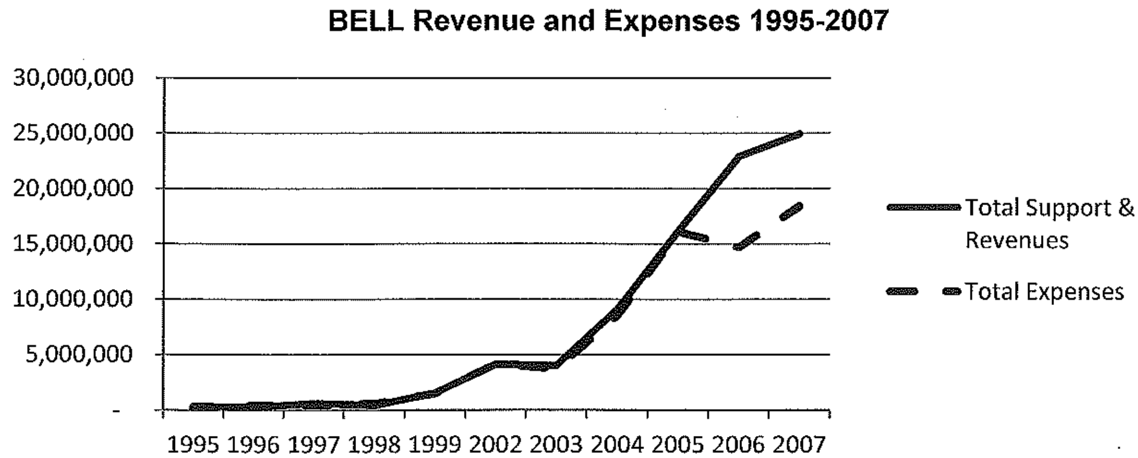


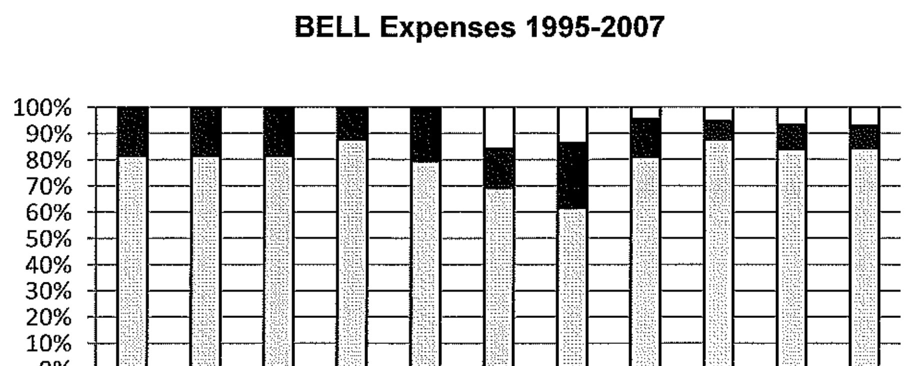
	1996	2000	2006
Government grants	0%	24%	55%
Board of Directors	11%	1%	3%
Individuals	22%	8%	1%
Foundations and Corporations	67%	66%	41%

Source: Company documents, 990 Audit in 2006.

[12] Does not include other sources, such as contract earned income or parent fees.

Exhibit 7 BELL Financial Performance[13]





	1995	1996	1997	1998	1999	2002	2003	2004	2005	2006	2007
Fundraising	0%	0%	0%	0%	0%	16%	14%	5%	5%	7%	7%
General Administration	19%	19%	19%	12%	21%	15%	25%	14%	7%	10%	9%
Program Services	81%	81%	81%	88%	79%	69%	62%	81%	87%	84%	84%

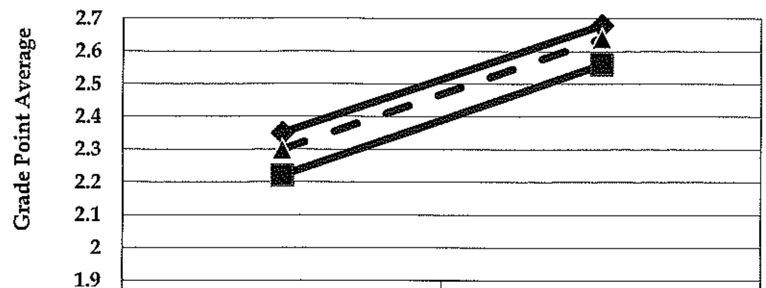
Source: Company documents.

[13] Data for 2000-2001 not available. Fundraising not categorized separately until 2002.

Exhibit 8 BELL Program Outcome Data

BELL After-School Program[14]

Scholars showed significant improvement in GPA (2003-2004)



	Fall	Winter
Reading	2.35	2.68
Writing	2.22	2.56
Math	2.3	2.64

Marking Period

Reading Writing Math

Scholars outpaced their peers nationally with a percentile gain of 7.1 compared to an average gain of 0

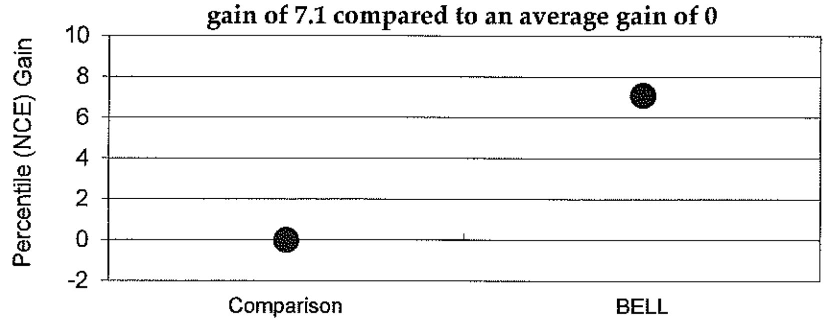


Exhibit continued on next page...

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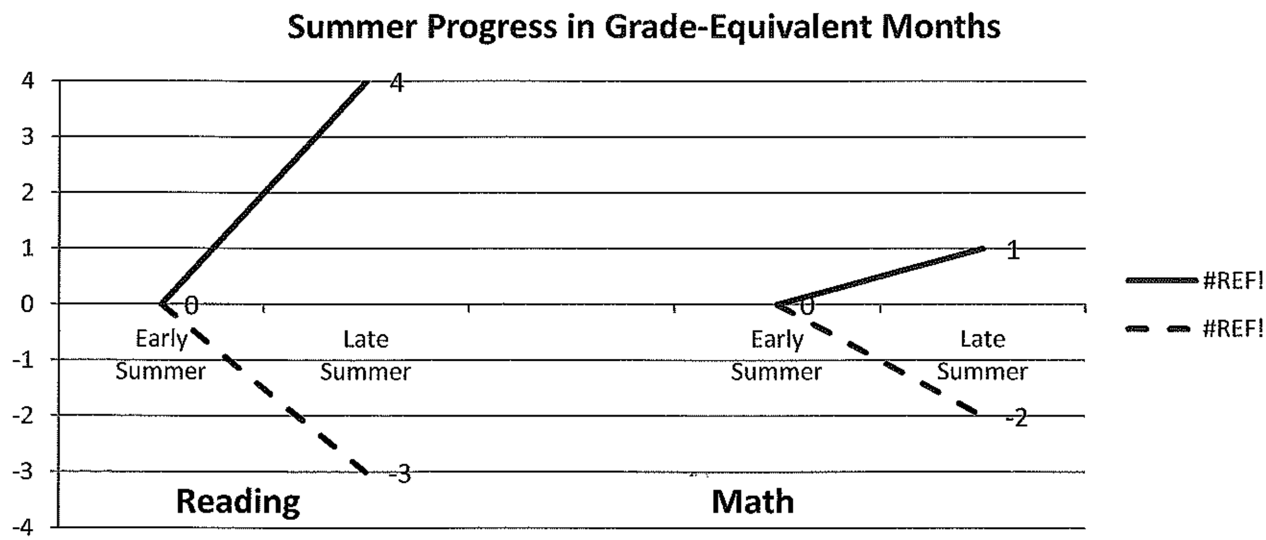
[14] Sources: BELL 2001-2002 and 2003-2004 Academic Year Evaluation Reports. Verified by independent 3rd party evaluation. The Normal Curve Equivalent, or NCE, is a way of measuring where a student falls along the normal curve. The numbers on the NCE line run from 1 to 99, similar to percentile ranks, which indicate how many students out of a hundred had a lower score. NCE scores have a major advantage over percentiles in that they can be averaged, which is important characteristic when studying overall school performance and measuring student achievement. Used national comparison group.

Exhibit 8 (continued) BELL Program Outcome Data

BELL Summer Program[15]



Source: Company documents.

15 Source: BELL 2005 National Report. Verified by independent 3rd party evaluations. Cooper, H. et al. (1996). The effects of summer school vacation on achievement test scores: A narrative and meta-analytic review. *Review of Educational Research 66(3), 227-268.*

Exhibit 9 Excerpts from Summer Advantage Grant Application for Smarter Starters, $2.4M funding opportunity

Describe the concept for the proposed summer learning program for middle school students.

We partner with schools and school districts to provide a transformative summer learning experience to middle school children living in low-income communities. As one of only two scientifically validated summer program models in the country, we help children gain at least 2 months of reading, math, and writing skills. These results have been achieved through these program components:

- Maximizing Time on Task: Programs operate 6.5 hours per day, 5 days per week, for 5 weeks, providing scholars over 160 hours of additional learning time each year.
- Selecting Outstanding Staff: Certified teachers and college students are selected through a rigorous screening process and provided with intensive training.
- Ensuring Rigorous Evaluation: Standardized pre/post-tests and interim scholar assessments provide measurable indications of academic gains, improvements in self-esteem, and improved non-academic behaviors.

Source: Company documents.

Exhibit 10 Summer Advantage Daily Schedule

Elements of High Quality Summer Learning Programs: There are two scientifically proven summer learning models in the United States. The key elements of these programs include:

- **Skill-based curricula –** Intensive focus on math and reading, aligned with state standards, multicultural literature, hands-on activities, and continuous monitoring of performance.
- **Maximizing time on task –** Programs operate 6-8 hours per day, 5 days per week, for 4-6 weeks per summer, providing students 120-240 hours of additional learning time each year.
- **Mentoring –** Small (2 staff-to-24 scholars) group instruction; development of positive, supportive relationships with peers and tutors; and mentoring woven into fabric of the program.
- **Outstanding staff –** Staff selection based on experience and commitment to excellence; staff drawn from diverse backgrounds; certified teachers, graduate and college students; and over 30 hours of training.
- **Rigorous evaluation –** Standardized diagnostic pre- and post-tests, and interim skill-based assessments.
- **Parental involvement –** Encouragement of parents to take an active role; regular parent/teacher meetings; workshops to strengthen parenting skills; involvement in field trips, service projects and other events.
- **Confidence –** Use of language that builds esteem (i.e. "scholars"); enhancement of learning through cultural activities, field trips and community service projects; and high expectations.

A typical schedule:

8:30–9:00	Breakfast & Community Time: Group activities that develop positive, supportive relationships with peers and tutors.
9:00–11:00	Literacy Activities: Certified teachers deliver skills-based curriculum and data-driven instruction that integrates multicultural literature, journal writing and hands-on activities.
11:00–12:00	Math: Teachers deliver a skills-based curriculum and use manipulatives to strengthen scholars' proficiency in core math skills and concepts.
12:00–1:00	Lunch and Recess.
1:00–4:30	Enrichment Activities: Art, music, physical education, dance, drama and more.
4:30	Session Ends.
Mentor Friday	Mornings include a guest speaker or cultural activity, followed by a field trip or community service project.

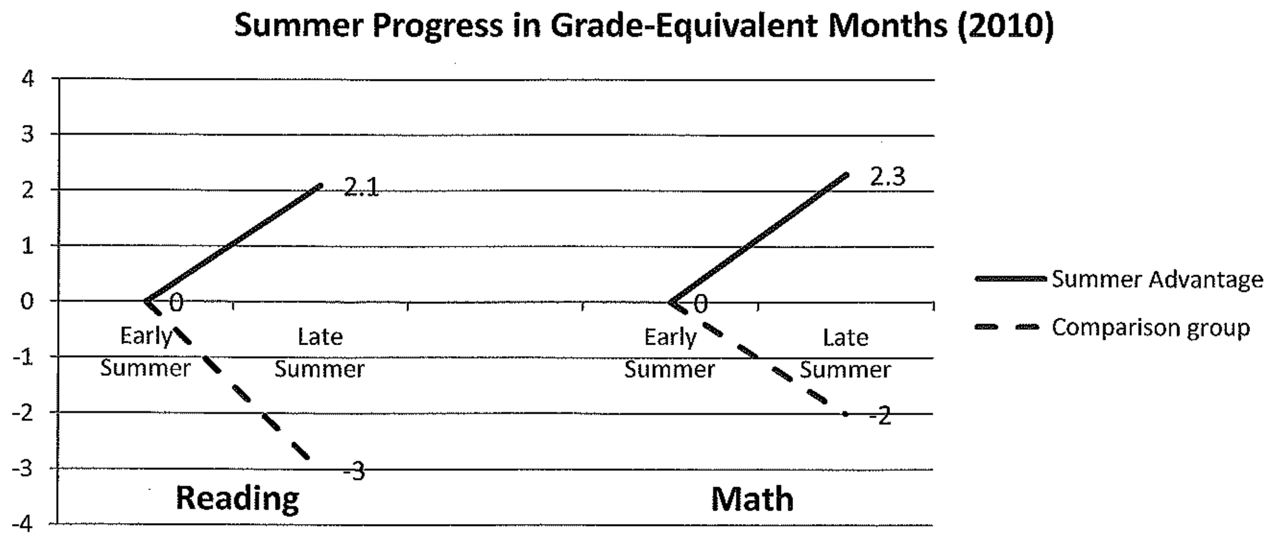
Source: Company documents.

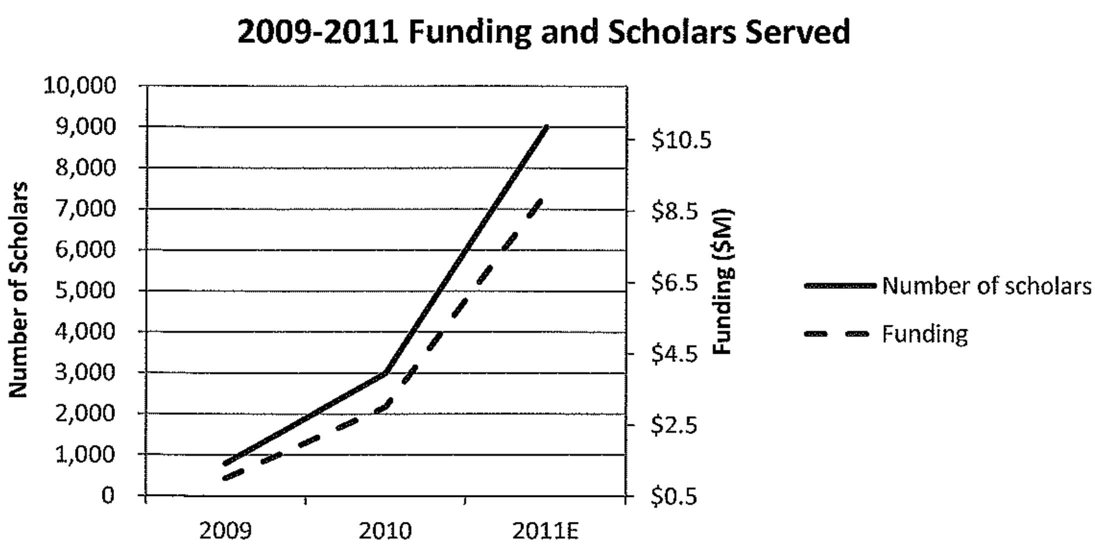
Exhibit 11 Biography for Summer Advantage Director of Operations

Terra Smith obtained a BA in Political Science from Morgan State University. After Morgan, she attended Columbia Law School and earned her Juris Doctor in 1999. Following law school, Terra worked as a corporate associate at Skadden, Arps, Slate, Meagher & Flom LLP and then became a staff attorney with the U.S. Securities and Exchange Commission. Following her time at the Commission, Terra simultaneously established The Giving Fund, Incorporated (a foundation that provides free consulting services to emerging non-profits) and Compendium Business Solutions, a consulting firm that assists start-up companies with strategic development and recruiting. Currently, Terra serves as the Director of Operations at Summer Advantage USA, where she focuses on system efficiencies, technology oversight, vendor relations, organizational expansion and HR/recruitment matters.

Source: Company documents.

Exhibit 12 Summer Advantage Program and Financial Data





Source: Company documents; Summer Advantage presentation to MindTrust.