

STATEMENT OF ALLEGATIONS

I. History of the Sale and Statement of Allegations

Eagle Elementary School is located on prime real estate property. The school sits on the corner lot of a commercially viable intersection at 14 Mile Road and Middlebelt Road. The property was a valuable asset to the Farmington Public School District and in 2008 was appraised to be worth \$2 million dollars. (Ex. 5- 2008 Market Value Appraisal). Although the property falls within the Farmington School District, the land is technically part of West Bloomfield Township. The land is zoned "R-15" which permits a variety of uses such as single-family homes, private schools, and day care centers, in addition to the special land uses for a church or a house of worship, a public library, public use, cemetery, child care center, or senior housing. (Ex. 6- Miller, Canfield, Paddock & Stone Legal Review of Deeds and Property Restrictions in Executive Summary). The property may also be considered for limited commercial development.

a. August 2009 to January 11, 2011

In February 2010, the Farmington Public School Board voted to close four of its elementary schools, William Grace, Wooddale, Eagle, and Flanders. The fate of all four schools was decided in bulk as part of a restructuring program to save money. Prior to this vote, in August of 2009, the Board appointed a "Facilities Study Team" (hereinafter "FST") to advise the Board of factors and options regarding the potential school closings. The committee was comprised of 10 returning members of a precursor committee whose work was suspended and 20 new members, and included Farmington Public Schools Executive Director of Operations Cheryl Cannon, Facilities Architect Ronald Aten and Assistant Superintendent Catherine Cost. One of the guiding directives of the team was to "eliminate bias" and "make fact based decisions."

After 1,200 man hours invested by the committee into a review of all the district's facilities and deliberations leading to the development of a plan for "maximizing the use of District facilities with an emphasis on maintaining high quality instructional programs and financial efficiency," the Facilities Study Team compiled a thorough report and a list of recommendations. The Facilities Study Team did not recommend the closing of Eagle Elementary. Eagle was never in the mix of properties deemed by the committee to be of benefit to the district to close. After the FST completed its analysis, advancing "three viable recommendations the FST agreed were most consistent" with its criteria (none again which included Eagle), the district redirected the FST to come up with a consolidation plan that included the closure of Eagle Elementary, thereby necessitating the reconfiguration of the schools which also was not originally recommended and in fact was specifically contraindicated in the original charge to the committee as a parameter for developing recommendations. (Ex. 7- Facilities Study Team Recommendations). Nonetheless, the district in a Frequently Asked Questions (FAQ) publication to the community stated: "We wanted the Facilities Study Team to be independent in their work without administrative influence."

There were no formal walkthroughs of the districts' buildings by the FST members. Instead, according to the district's FAQ, the committee was provided floor plans by school principals and furnished written information as well as a presentation by TMP Architects and McCarthy/Smith construction managers "very familiar with all facilities" based on a facilities assessment report completed in 2009. Curiously, a third-party architect was also retained and tasked to complete a facilities evaluation in 2010 for the district, as disclosed in its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. (http://www.farmington.k12.mi.us/district/budget/pdf/cafr_1011.pdf).

With the district balking at the FST's findings and insisting that it revise its report, the FST also compiled four not recommended/not preferred options in an addendum. (Ex. 8- Facilities Study Team Addendum). The FST presented its recommendations and options to the Board at a public board meeting on January 26, 2010. Of all of the recommendations and options presented to the Board by the FST, only one option, called "Option D," included the closing of Eagle Elementary School. In their reports, the FST presented "Option D" as the least desirable for Farmington Public Schools.

"Option D" had the least number of advantages identified by the Facilities Study Team and the most disadvantages, compared to all of the other options evaluated by the team. Most strikingly, the district itself publicly stated in its FAQ report to the community that **Eagle Elementary "was NOT considered for closing"** because "Eagle is one of the elementary schools that has the largest capacity. Due to this fact, there was not room to house the students in the other elementary schools if Eagle were to close." (Ex. 3- Facilities Study Team FAQ Sheet). In the same report, the district also stated that should Eagle close, the district would incur huge transportation costs of approximately \$1.4 million per year to bus neighborhood children to other schools. Despite the FST's enumerated objections to "Option D," the FST's recommendation that it not be considered for closing, despite the overwhelming community opposition to closing the school, and the major dislocations to be caused by the reconfigurations and redistricting due to the school closing, the Board voted unanimously for "Option D."

Interestingly, Eagle Elementary was the only property zoned to satisfy the intended use of the ICA, the sole party with whom the district would negotiate. Of all of the closed schools, Eagle Elementary was the only property not zoned "R-1" or "RA-1." This meant that all of the other properties submitted for vote by the Board had to be used for single family residential or housing, except for the desirable Eagle Elementary property.⁷ (See Ex. 6- Miller, Canfield, Paddock & Stone Legal Review of Deeds and Property Restrictions in Executive Summary).

Importantly, at the same time the district was publicly touting the work of this supposedly "independent" and "objective" FST, unbeknownst to the public the district was consulting with its outside legal counsel, specifically regarding Eagle Elementary. In November of 2009, according to invoices to the district from Miller Canfield, there were 18 entries relating to the disposition of Eagle Elementary as far advanced as the review of deeds, possible use or other property restrictions, the ordering of title searches and a memo "regarding ability to discontinue

⁷ Per Miller, Canfield, Paddock & Stone Legal Review of Deeds and Property Restrictions, zoning requirements of properties known to the School District since May 2008 through the findings of the Great Northern Consulting Group.

use for school purposes and make sale to private developer and email to Cheryl Cannon.” (Ex. 9, Miller Canfield Billings). All the while the FST was not even considering the closure of Eagle and the district was projecting to the community that Eagle was not being considered for closing, behind the scenes the district was focusing legal horsepower on Eagle Elementary.

The information produced by the district under FIOA specifically requesting legal billings on Eagle show that the flurry of legal work relating to Eagle beginning on November 9, 2009 stopped abruptly on November 30, 2009. (Ex. 9). It was shortly thereafter that the district, unsatisfied with the recommendations put forth by the committee, re-directed the FST to develop alternative consolidation options which, at their insistence, included Eagle Elementary. Given that the FST did not even begin its work in earnest until September of 2009, it is noteworthy that it was rushed to complete such a comprehensive analysis and report (compared to the nearly 2-year timeframe of its predecessor committee), only to have its recommendations flatly ignored by a district whose private legal consultations at the very same time indicate the district clearly had an interest in selling Eagle—giving the FST the appearance of a show committee.

Curiously, after the spate of November legal invoices on Eagle, there are no more invoices from Miller Canfield relating to Eagle until they resume on January 13, 2011. That is two days after what the district claims is the ICA’s “first” inquiry and “unsolicited” bid for Eagle, the closed board session and board vote that very same evening to demolish Eagle, and just one day before Miller Canfield initiates contact with an appraisal company to procure a secret appraisal of Eagle.

In the next months to come, the Farmington Public Schools received numerous inquiries to purchase the closed school properties. According to Superintendent Sue Zurvalec, “When we first announced that certain schools would close, *we were inundated with phone calls from brokers wanting to list the sites or indicating they had a buyer*. We also had several inquiries from individuals looking for school sites. At the time, we indicated that we were not listing the properties.”⁸

On December 7th, 2010, the Board held a “Building & Site/Safety Committee Meeting” in which legal representation for Farmington Public Schools Joseph Fazio of Miller Canfield recommended, “If we decide to sell the properties, select a broker that will actively engage the marketplace rather than just providing a listing.” (See Ex. 10- Joseph Fazio, Miller Canfield, Paddock & Stone comments).

The report also reflects Fazio’s recommendation: “don’t do appraisal until we have a buyer.” (See Ex. 10). Given the district’s directive to come to a determination about selling the property, sound business practice would dictate that an appraisal be obtained *first* to determine the value of the property and the benefit of selling at the present time.

In the report, Fazio further states, “[i]f we think a building has other than residential value, get broker and determine interest before demolition.” (See Ex. 10). It is of interest to note that Fazio made these recommendations just weeks before a broker representing the ICA, Dan

⁸ Quoted from December 7, 2010 Farmington Public School Board “Building & Site/Safety Committee Meeting.” (emphasis added).

Blugerman, approached the board with an expression of interest for the Eagle property. This same broker was known to the district as he served on the local chamber of commerce with the district's superintendent. The district did not engage with any other brokers representing other parties which had expressed interest in Eagle. It is important to remember that the other brokers who "inundated the district with phone calls," made known to the district months earlier that they wanted to list the sites, or "*had*" buyers, yet Farmington Public Schools refused to pursue these "buyers" and other interested parties. (http://www.farmington.k12.mi.us/pdfs/demolition_board_report.pdf).

Since Fazio's recommended to engage a broker to "determine interest before demolition," it is puzzling that Farmington Public Schools did not engage any brokers to ascertain interest for any of the other properties the district closed and recommended be demolished. Furthermore, Fazio's comment could only be construed to apply to Eagle, as Eagle was the only property identified as having "other than residential value." (See Ex. 10).

During the December 7th, 2010 school board meeting, it was noted that several potential buyers wanted to purchase Eagle Elementary, including a faith-based organization, a parochial school in Toledo, an academy for autistic and specially challenged students, an office space rental building, and a day care center.

All of these parties, as noted, were summarily turned away by Farmington Public Schools, despite the fact that the district acknowledged in its executive summary presented at the December 7th, 2010 meeting that it had discussed permitted uses for the Eagle property with the West Bloomfield Township planner and that special land uses included private schools and daycare/child care centers.

The district's discussions with the West Bloomfield Township planner demonstrate that the district was contemplating the sale of Eagle before and contrary to its public pronouncements that Eagle was recommended for demolition. The district's inquiries with West Bloomfield Township regarding the potential use of the Eagle property are consistent with the recommendations in the report for the board to reach a determination with respect to the sale of the closed buildings, yet there was never a recommendation from Farmington Public Schools or a school board vote to *sell* the closed properties.

One of the parties to contact the school district interested in purchasing the Eagle Elementary property referred to as the "Parochial School in Toledo" was the Congregation Mesivta of Toledo. Since the school district summarily turned away the Congregation Mesivta of Toledo as a potential buyer, the congregation paid over \$1 million for a less desirable piece of property in West Bloomfield. The plot purchased by the Congregation Mesivta of Toledo was approximately *half* the size and in a less desirable location than the Eagle Elementary property, yet the land sold for a near identical purchase price as Eagle Elementary to the ICA.⁹ (Ex. 11-Mortgage dated 12-27-2011 for sale of land in West Bloomfield to the Congregation Mesivta of Toledo).

⁹ Congregation Mesivta of Toledo purchased an approximately over 4-acre plot of land for \$1,075,000 in West Bloomfield Township at the end of December 2010. Compare this purchase with ICA's accepted offer of \$1,100,000 for the 9.55-acre Eagle Elementary property in June 2011.

The district represented in the Building Site & Safety report presented on December 7, 2010 that: "The estimated cost to demolish the 5 closed elementary schools is approximately \$900,000. The estimated annual mothball expense is \$11,500. We expect that this amount will be available from money set aside for redistricting implementation as reported to the board in October 2010." This representation fails to reflect the nearly \$3 million in renovation costs to accommodate the influx of students from redistricting due to the close of Eagle Elementary, nor does it reflect the significant increase in transportation costs. (http://www.farmington.k12.mi.us/district/budget/pdf/budget_1011.pdf).

At the December 7, 2010 meeting, Cheryl Cannon, the Executive Director of Operational Services for the district, stated: "It is unlikely we will sell the sites at this time" as Farmington Public Schools was "waiting for the residential market to turn around." This sentiment that it would be prudent to wait for the depressed real estate market to rebound before selling the properties was expressed repeatedly by the administration and board members. Yet one month later, with no significant change in the market, Farmington Public Schools moved forward with the sale of Eagle.

Also at this December meeting, in recognition of what a sensitive matter this was, there was discussion as to the need for a community survey. Less than a week later, on December 16, 2010, the district posted an online community survey. The period for response was only two weeks and overlapped the Christmas holiday and winter school recess, less than optimal if the district genuinely wanted to garner wide community response. The district's approach here to elicit community input is in stark contrast to other methodical community surveys, for which it contracted with outside professionals to design, distribute and interpret the survey results.

On the morning of January 11, 2011, Cheryl Cannon, the Executive Director of Operational Services for Farmington Public Schools, communicated with Dan Blugerman, the real estate agent for the ICA.¹⁰ (See Ex. 12- Emails between Cheryl Cannon and Dan Blugerman 1-11-11 to 1-13-11). Dan Blugerman emailed Cheryl Cannon on January 11, 2011 at 3:50pm,

Thank you for your time and hospitality this morning. A[l]ways enjoy brainstorming with you! I spoke to their Chairman today and the Islamic Cultural Association would like an opportunity to walk thru Eagle Elementary in anticipation of submitting an offer to purchase. They would convert it to a House of Worship. They own and operate the Huda School in Franklin.

(Ex. 12).

Hours before the open meeting on January 11, 2011, the Board met in a closed session under the claimed reason of "negotiations." In a resolution adopted by the board in September 2011, the board admitted it met in closed session prior to taking any action with respect to the

¹⁰ Dan Blugerman, the broker acting on behalf of the ICA in the purchase of Eagle Elementary, is employed by Thomas A. Duke and Associates (Ex. 13- Thomas A. Duke Company, Community Partnership Advisor Council for Farmington Public Schools); note also Dan Blugerman served on the Farmington Chamber of Commerce with Superintendent Sue Zurvalec. (Ex. 14- Farmington Chamber of Commerce).

demolition of Eagle. Recall that the opinion issued by the Michigan Attorney General prohibits a school district from convening in closed sessions for the purpose of discussing the dispositions of real property by “sale or lease.” (Mich Atty Gen Op No 5284, March 21, 1978).

Later that evening on January 11, 2011, the Board conducted a public meeting at which Superintendent Sue Zurvalec, district operations executive director Cheryl Cannon, and all Board members were present. The Board addressed the fate of all of the closed schools, including Eagle Elementary. Cheryl Cannon spoke at the meeting and stated that the above-referenced online survey for community input was conducted and 62% of survey-respondents favored the demolition of all five closed schools to use the land for playgrounds and ball fields “for the time being.”¹¹ Cheryl Cannon publicly indicated that Farmington Public Schools would wait for the real estate market to improve in order to realize the most profit for its land. Neither the Farmington Public Schools administration nor the School Board disclosed at that meeting the ICA’s request to walk through the Eagle Elementary property nor the ICA’s expressed intent to imminently submit a purchase offer for Eagle.

Before the board’s vote to demolish all of the closed schools and despite the serious and known interest of buyers to purchase Eagle Elementary, Board President Howard Wallach stated at the meeting “We have not received one proposal to purchase any of the buildings that we’re talking about demolishing today. Not one. You would think that after the decision was made . . ., we might have gotten one proposal about that.”¹² This statement was made with the knowledge that all other interested buyers were turned away, told the property was not for sale, and never invited to submit a proposal.

At the same meeting, board member Tim Devine, an attorney who resigned from the board just short of his one-year tenure, said: “My support for this resolution is based upon our collective expression that we ARE NOT selling the properties at this time.”

Board member Sheilah Clay also stated at the January 11 meeting: “We’re talking about demolishing buildings. We didn’t say we were selling the land.”

After the Board voted in favor of the demolition of all of the closed schools, Karen Bolsen moved “that the Board authorize administration to receive bids for the relocation of casework in the closed schools and the demolition of the five closed schools (Eagle, Fairview, Flanders, William Grace, and Wooddale).” It is noteworthy that the board failed to move for Farmington Public Schools to publicly receive bids for the **sale** of any of the properties. The Board agreed to receive bids for the demolition plan and cost estimate for the closed schools. (Ex. 15- January 11, 2011 Board of Education Meeting Minutes).

b. January 12, 2011 to February 2011

The following day on January 12, 2011, Cheryl Cannon wrote back to the ICA’s real estate broker Dan Blugerman that the School Board voted to demolish the schools. That same day Dan Blugerman drafted an expression of interest to purchase Eagle Elementary on behalf of

¹¹ Quoted from January 11, 2011 Farmington Public School Board Meeting.

¹² Quoted from January 11, 2011 Farmington Public School Board Meeting.

the ICA. (Ex. 16- ICA's Expression of Interest dated January 12, 2011). Dan Blugerman sent an email to Cheryl Cannon on January 13, 2011, "After explaining the FPS Board decision to ICA they asked me to draft the attached proposal [to purchase Eagle Elementary]. In summary, FPS would remove anything you want and they [ICA] would purchase 'as-is' to convert to their worship center. The West Bloomfield Planner said the site fits the criteria for the proposed use – just needs to follow the steps for approval." Therefore, Cheryl Cannon as of, at the latest, the date of January 13, 2011, was in receipt of yet another "expression of interest" from yet another party, namely the ICA, which already confirmed the zoning use of the property with the West Bloomfield Planner. The ICA indicated in its expression of interest its willingness to pay \$850,000 for the Eagle Elementary Property, even though there was no public indication that the ICA was given an opportunity to walk through Eagle.

Instead of publicly disclosing the ICA's expression of interest to purchase Eagle Elementary, the Board issued a press release on January 13, 2011 stating that the School Board voted to demolish **all five vacant schools specifically listing Eagle Elementary as one of the vacant schools**, and claimed "*All of the sites [the five vacant school properties] are zoned residential providing very limited reuse opportunity for the buildings.*" (Ex. 17- FPS Press release dated January 13, 2011). It bears repeating that Eagle was the only closed property whose zoning did not limit it to single family/residential. Moreover, a marketability study commissioned by the Farmington Public Schools in 2008 with the Great Northern Consulting Group had listed among the recommended redevelopment options for Eagle mixed use commercial development. See http://www.farmington.k12.mi.us/district/committees/learning_facilities/facilities_minutes_2008_0505.pdf

In the following weeks while protecting the ICA's interest in Eagle Elementary, the Board continued to turn away all other potential buyers. Cheryl Cannon turned away a developer, Joseph Novitsky, who wanted to connect Farmington Public Schools with a privately funded senior citizens' center in order to avoid the demolition of the vacant schools. The real estate developer contacted Cheryl Cannon and the Board on January 23, 2011 via email. On February 15, 2011, the Board held a meeting and included this email on the Board's agenda. The Board decided not to entertain the real estate developer's offer. *Although this email was publicly recognized and dismissed, the Board continued to fail to publicly address the ICA's proposal to purchase Eagle Elementary.*

Cheryl Cannon responded to Novitsky on January 28, 2011 by claiming that the Eagle Elementary property was not marketable at the current time, the closed schools would be demolished, and the land retained by Farmington Public Schools.¹³ Real estate broker Melvyn Sternfeld, additionally, contacted Farmington Public Schools several times from the end of 2010 to approximately April of 2011 by phone to discuss opportunities to sell Eagle. Farmington Public Schools employees repeatedly told Melvyn Sternfeld that Eagle elementary would be demolished and was not available for sale or lease. (See Ex. 19- Affidavit of Melvyn Sternfeld).

¹³ (Ex. 18- Email from Joseph S. Novitsky to Cheryl Cannon on 1-23-11, and response email from Cheryl Cannon to Joseph Novitsky on 1-28-11).

On January 14, 2011, however, just two weeks before emailing Novitsky explaining that the Eagle Elementary property was not marketable nor for sale, Cheryl Cannon directed attorney Joseph Fazio of Miller Canfield to procure an appraisal of Eagle Elementary, in an attempt to keep the appraisal confidential and unavailable to the public, claiming it was protected under attorney-client privilege. The district paid for the appraisal, which was never put out for bid. Miller Canfield, it should be noted, had a previously established relationship with Integra as an ongoing client. (<http://www.irr.com/About/Office.asp?Task=Client&RefItem=DetroitMI>).

In his request to Integra Realty for the Eagle appraisal, Fazio twice states that the appraisal is to be kept confidential and that the “user will be acquiring the property to be used as a cultural center.” Fazio states with certainty that the user WILL be acquiring the property to be used as a cultural center, as was the stated intent of the ICA as expressed earlier to the district by Dan Blugerman, the broker representing the ICA. Fazio does not equivocate or leave room for the possibility that the district will be listing the property or evaluating competing bids from interested parties. The fact that he doesn’t even allow for any other qualification other than that the user “will be acquiring the property” evidences that this was a done deal.

Then on January 27th, 2011, just one day before sending the email rejecting Joseph Novitsky’s interest in the property, Cheryl Cannon provided Integra Realty, the appraisal company hired by Miller Canfield, with information to conduct the appraisal and to visit the property which required coordination with Farmington Public Schools’ Facilities Architect, Ronald Aten.

An email exchange that same day between Cannon and Aten and produced under FOIA, evidences the district’s intent to conceal from the public this appraisal for a major property owned by Farmington Public Schools taxpayers.

“Ron – this is the gentlemen doing the appraisal of Eagle. No one really knows we are having the property appraised.”¹³

(Ex. 20- January 27, 2011, Email from Cheryl Cannon to Ronald Aten and Integra Realty Co.) (emphasis added). Also incriminating is Superintendent Zurvalec’s statement in her October 27, 2011 Op-Ed in the Farmington Observer that the district “shared with the ICA” this appraisal. The appraisal was kept under wraps from the public and shielded from other buyers and interested parties.

i. Appraisal of Eagle Elementary

Miller Canfield hired Integra Realty to perform an appraisal on the Eagle Elementary property. The district paid for the appraisal, which was never put out for bid. Miller Canfield, it should be noted, had a previously established relationship with Integra as an ongoing client. Strangely, the letter signed by Integra Realty is dated July 20, 2010 for the effective date of February 1, 2011. (Ex. 21- Integra Realty Appraisal Letter dated July 20, 2010). The July 20, 2010 date of the Integra letter closely coincides with the shuttering of Eagle Elementary at the close of the school year in June, 2010. This could suggest that the district and the ICA/its

representatives were already in contact regarding Eagle. By dating the effective date of the appraisal as February 1, 2011, it makes it appear that the appraisal was requested in response to the ICA's expression of interest in January, 2011, which is when the board maintains that the ICA first approached the district with an unsolicited offer.

Whether the date on the letter reflects the actual date of the appraisal or an error, the appraisal itself substantially undervalues the Eagle Elementary Property. Additionally, the decision to appraise Eagle Elementary and which appraisal company to hire was never discussed during a public meeting of the board. Also of note, *a year prior* on February 24, 2010, Amanda Van Dusen of Miller Canfield wrote a letter to the Board addressing the sale of Eagle Elementary and stated that there was no requirement to place Eagle Elementary on the market or obtain competitive bids. (Ex. 22- Cheryl Cannon Memorandum to Board dated May 12, 2011); *See also* (Ex. 23- Agenda Items dated December 3, 2010 from Sue Zurvalec to the Board).

This advice contravenes the language included in the December 7, 2010 "Building & Site/Safety Committee Meeting" memorandum from her own colleague, Joseph Fazio, (Ex. 6- Miller, Canfield, Paddock & Stone Legal Review of Deeds and Property Restrictions in Executive Summary) (advising the Board to "actively engage in the marketplace"), the language included in the Integra Realty appraisal, (Ex. 24- Integra Realty Appraisal), and the advice of the Attorney General (Mich. Atty. Gen. Op. No. 5284, March 21, 1978) (" . . . [t]hat it is advantageous to the public interest to disclose information concerning the sale of publicly owned land so that prospective purchasers may have the opportunity to present additional offers. It is therefore my opinion that the board of education of a school district may *not* hold a closed meeting for the purpose of disposing of a building through sale or lease.") (emphasis added).

One would assume it would be the responsibility of Ms. Van Dusen to inform the school board that her recommendation not to publicize the sale of Eagle Elementary was directly contrary to the opinion of the Michigan Attorney General, if indeed they were not knowledgeable of that fact.

The appraisal completed by Integra reflects that the Eagle Elementary property is 9.55 acres with 54,534 square feet of rentable space in West Bloomfield Township. (Ex. 24- Integra Realty Appraisal). The appraisal concludes that the market value of the Eagle Elementary Property is \$1,100,000 or \$20.17 per square foot, and includes the disclaimer that the appraisal assumes the Eagle Elementary property "is not sold as a school building." (Ex. 21- Integra Realty Appraisal Letter dated July 20, 2010; Ex. 24- Integra Realty Appraisal). The appraisal states that the District does not want to sell Eagle Elementary for a similar use or as a charter school, even though such a prohibition is expressly in violation of the Michigan Revised School Code, as explained to the district by Ms. Van Dusen in her above-cited February 24, 2010 letter.

The appraisal also states that the market value requires time "*for exposure in the open market*" and provides the time frame of "*12 months*" on the open market. (Ex. 24- Integra Realty Appraisal) (emphasis added). This goes to the heart of the charge of district malfeasance. The fact that Farmington Public Schools blatantly disregarded the parameters set forth by the appraisal to obtain the best market value clearly demonstrates that Farmington Public Schools

conducted this no-bid sale without “exposure in the open market (suggested 12 months)” contrary to the best interests of students, taxpayers and all stakeholders.

The failure of Farmington Public Schools to maximize market value by not seeking any exposure on the open market was an even more egregious dereliction than a recent, analogous case out of New York, where the State’s Commissioner of Education nullified the sale of a public school, saying that the publicity given to the sale and the amount of time allowed for bids were far less than the appraiser had thought would yield a higher price. See (<http://forward.com/articles/138468/state-annuls-attempted-sale-of-public-school-to-ne/>).

ii. Land Value Appraisal

Integra used two approaches to conduct the appraisal. In the first “Cost Approach (Land Value)” Integra admittedly utilized “inferior” comparables to estimate the land value at \$1,220,000. The appraisal states that since Farmington Public Schools specifically excluded the sale of the property as a school, the next best option to obtain the highest sale price is to demolish the building and sell the property for mixed-use development, consistent with the advice given to the Board in the 2008 Great Northern Marketability Report. (Ex. 24- Integra Realty Appraisal) (“For these reasons, ***demolition pending future mixed use development is concluded to be maximally productive, and the highest best use of the property as improved***”) (emphasis added). The appraisal states, “[i]t has been reported that a cultural center wants to purchase the subject for conversion to a place of worship. Again, there would be a cost related to converting both the interior and exterior of the building to appear as such, which tends to reduce the contributory value of the improvements [that the school district had completed to Eagle Elementary].” (Ex. 24). The appraisal clearly assesses, “[t]here does not appear to be any alternative use that could reasonably be expected to provide higher present value than *demolition for future development*.” (Ex. 24). Given the professional assessments of both Great Northern and Integra Realty that demolition for future development would provide the highest return for the district on the sale of Eagle, it begs the question as to why the district deliberately chose not to follow such advice and would deliberately choose not to seek maximum value for the property.

The following properties compiled solely of vacant land sold for the proposed use of Senior Housing facilities were used for comparables:

1. Canton Twp., Sale Date: May 2008, Sale Price: \$725,000, Lot Size: 13.49 acres
2. Royal Oak, Sale Date: May 2010, Sale Price: \$1.85 million, Lot Size: 8.45 acres
3. Sterling Heights, Sale Date: January 2011, Sale Price: \$1.95 million, Lot Size: 14.84
4. Novi, Sale Date: January 2011, Sale Price, \$1.8 million, Lot Size: 7.00 acres
5. Livonia, Sale Date: January 2011, Sale Price: \$1.5 million, Lot Size: 5.00 acres
6. Farmington, Sale Date: January 2011, Sale Price: \$1,299,999, Lot Size: 6.68 acres

7. Farmington, Sale Date: January 2011, Sale Price: \$900,000, Lot Size: 5 acres

When examining the comparables of the recent sales occurring near the West Bloomfield area, almost all listed sales involve a distinguishably *smaller* plot of land than the Eagle Elementary property. Of the listed smaller properties, nearly all sold at a *higher* sale price than the appraised value of the Eagle Elementary property. Furthermore, when viewing the land sales adjustment grid within the appraisal, *all* properties are listed as “Inferior” to the Eagle Elementary property in the area of “Commercial Upzoning Prospects” and almost all are listed as “Inferior” in the area of “Exposure.” (See Ex. 24 at 34). Furthermore, the only two comparables that were larger in terms of acreage to the Eagle Elementary property were not located in Oakland County, both were described as “Inferior” in terms of “Location,” and the Canton Twp. property sold *three years prior* to the appraisal. (Ex. 24). Integra admittedly states that the most similar comparable to the Eagle Elementary property is the Royal Oak property, which includes less acreage and sold for the much higher price of \$1.85 million. (Ex. 24 at 35).

Integra offers no explanation for its inclusion of the May 2008 sale of the Canton Township property in its comparables for Eagle Elementary. The location of the property, the date of the sale, and the ranking classifications of the property make this comparable *by far the most dissimilar* to Eagle Elementary. The price per square foot assessed for the Canton Township property is shockingly low at \$1.23. The properties sold closer to the West Bloomfield/Farmington area in recent times (in 2011) reflect the price per square foot ranging from \$4.13 to \$6.89. (See Ex. 24 at 34-35).

By including the Canton Township May 2008 sale, Integra dramatically reduces the average of Eagle Elementary comparables and allows for the low valuation of Eagle Elementary at \$3.50 per square foot—assigning Eagle Elementary with the lowest value of all of its comparables except for the Canton Township May 2008 sale, even though Eagle Elementary ranked “Superior” to its comparables in terms of size, location, and potential uses. (Ex. 24 at 34-35).

iii. Sales Comparison Approach

Integra also conducted a “Sales Comparison Approach” appraisal which compared sales of schools dating back to 2008. Under this approach, Integra estimated the value of Eagle Elementary at \$1,090,680; however, the comparables used in reaching this figure are again dissimilar, most located in “inferior locations” and selling for more money than the appraised value of Eagle Elementary. In deciphering the Sales Comparison Value of Eagle Elementary, Integra compared the following sales of schools:

1. Farmington Hills, Sale Date: July 2010, Sale Price: \$1.65 million, Bldg Size: 27,745 sq/ft
2. Harper Woods, Sale Date: May 2010, Sale Price: \$1.5 million, Bldg Size: 113,975 sq/ft
3. Ypsilanti, Sale Date: September 2009, Sale Price: \$1.9 million, Bldg Size: 39,200 sq/ft

4. Ypsilanti Township, Sale Date: April 2009, Sale Price, \$1.1 million, Bldg Size: 28,674 sq/ft
5. Roseville, Sale Date: March 2008, Sale Price: \$1.6 million, Bldg Size: 48,200 sq/ft
6. Warren, Sale Date: June 2008, Sale Price: \$1.31 million, Bldg Size: 48,063 sq/ft
7. Roseville, Sale Date: August 2008, Sale Price: \$475,000, Bldg Size: 26,614 sq/ft

Again, Eagle Elementary was superior to almost all of its comparables in terms of size (54,534 sq/ft), age and condition of the building, and location. Eagle Elementary, however, again was valued near the very worst next to Integra's comparables. The Fletcher School, in the less desirable real estate location of Ypsilanti, sold for \$48.47 per square foot. The Fletcher School in Ypsilanti was of similar age and condition to Eagle Elementary but listed as having an "inferior" location. Yet, Integra only valued Eagle Elementary at \$20 per square foot- a startling \$37 less per square foot than its neighbor Farmington Hills school and over \$28 dollars less per square foot than the inferiorly located Ypsilanti school. (Ex. 24 at 39-40).¹⁴

Integra's reliance on poor comparables and questionable assumptions belies its professional reputation and raises concerns regarding the objectivity of the appraisal. Given that other, more relevant comparables were available, it is perplexing that Integra ignored them in preference to flawed comparables that falsely diminished the value of Eagle.

iv. 2008 Market Value Appraisal of Eagle Elementary Property

In May of 2008, the Board obtained an appraisal of Eagle Elementary School which valued the property at as high as \$2 million dollars. (Ex. 5- 2008 Market Value Appraisal). The Great Northern Consulting Group conducted a marketability study on all of the properties and schools held by Farmington Public Schools. In its study, the Great Northern Consulting Group analyzed zoning restrictions and potential zoning upgrades after meeting with the West Bloomfield Planner, determined the viability of redevelopment at the site, determined the best uses for the sites, and researched market comparables to verify the property's value.

For the proposed use of Eagle Elementary as a Senior Assisted living home, the same proposed use analyzed in Integra's "Cost Approach (Land Value)" appraisal, the Great Northern Consulting Group "reasonably" valued the Eagle Elementary property at \$1,300,000 to \$1,500,000 in 2008. (Ex. 5). The Great Northern Consulting Group also specifically stated that *demolition of the existing school would maximize the marketability of the property and the*

¹⁴ Integra's appraisal does not include the December 2010 land purchase by the Congregation Mesivta of Toledo in West Bloomfield Township where the property sold for a near identical price to Eagle Elementary; however, offered approximately half the acreage of the Eagle Elementary property and provided a less desirable location. See also Melvyn Sternfeld's comparable analysis to other schools on the market at the time of the Eagle Elementary sale in the less marketable area of Westland in which schools built around the same time as Eagle Elementary list for 30% higher in price. Melvyn Sternfeld rationalizes that the Eagle Elementary "sale should have realized another \$500,000 in the sale price." (Ex. 25- Real Estate Broker's Independent Comparable Assessment).

profits for the school district. The Great Northern Consulting Group affirmed the importance of location in the real estate market and that Eagle Elementary rests on well located property. (Ex. 5). The Great Northern Consulting Group additionally stated that Farmington Public Schools would be able to sell the Eagle Elementary property for *approximately \$2 million dollars*, by demolishing the existing building and selling the corner lot to be used as a bank or drugstore and selling the remainder of the land as a park or vacant lot. (Ex. 5). *Yet in granting the ICA's offer for the purchase of Eagle Elementary exclusive consideration, the Board ignored all other options to maximize profit for Farmington Public Schools and the advice of its 2008 Market Value Appraisal. Indeed, the Board thwarted its plan to demolish the building on the property, which, according to at least two real estate appraisers, would have had the effect of substantially increasing the property's value and marketability.*

c. February 2011 to May 3, 2011

In February 2011, despite obvious issues with relying on the market values proposed by Integra's appraisal and with disregard for the advice to demolish Eagle Elementary in order to realize the highest profit for the property, Farmington Public Schools, without the public's knowledge, pursued negotiations with the ICA. This information is evidenced by a memorandum written by Cheryl Cannon to the Board dated May 12, 2011.

In the memorandum, Cheryl Cannon writes to the Board,

"As you know, the District was approached in January 2011 by the Thomas A. Duke Company, as represented by Dan Blugerman, with a written offer from the Islamic Cultural Center [also known as ICA]."

(Ex. 22- Cheryl Cannon Memorandum to Board dated May 12, 2011) (emphasis added). In the memorandum, Cheryl Cannon summarized the ICA's purchase offer for Eagle Elementary. The memorandum states that Integra completed their appraisal on February 22, 2011, and this appraisal "was forwarded to the Board indicating the market value of the property as improved to be \$1.1 million." (Ex. 22). Legal billings show four entries between February 20-22, 2011 regarding the appraisal, including an invoice of February 22 for "draft, revise, proof and process report letter to FPS regarding appraisal." (Ex. 9- Miller Canfield Billings). There is also a charge billed the same day for FedEx delivery from Miller Canfield to Farmington Public Schools. (Ex. 9).

After receipt of the appraisal, there are a number of exchanges between the district and its legal counsel regarding the ICA's offer for Eagle and a notation on March 29, 2011 regarding "directions for a new offer" followed by another entry the same day and through the end of the month on drafting a purchase agreement. (Ex. 9).

If there never was offer and acceptance of the ICA's original offer of \$850,000 and legal counsel was instructed on "directions for a new offer", it indicates that the ICA's initial offer was inadequate and raises questions as to why the district continued to protect the ICA's interest instead of opening up the process and engaging the market so other parties could have come forth with competing bids.

Being given exclusive consideration, the ICA agreed to pay the *exact* amount of Integra's appraisal.¹⁵ Attorneys at Miller Canfield drafted the purchase agreement for the ICA as evidenced by Miller Canfield's billings to the district, Miller Canfield's work on behalf of the ICA in drafting the purchase agreement, in concert with Miller Canfield's procurement of the secret Integra appraisal shared with the ICA only all charged to the Farmington Public School District, raises questions as to whether these dealings were truly at arm's length or were in fact reflective of conflicts of interest and inside dealings. Miller Canfield invoices leave unclear on whose behalf it was acting, while retained as counsel for the district. It isn't until April 14, 2011 that Miller Canfield's legal invoices relating to Eagle note the existence of Buyer's counsel. (Ex. 9). Per the memorandum to the Board, the real estate broker for the ICA, Dan Blugerman, delivered the signed purchase agreement to the Board on May 11, 2011. (Ex. 22- Cheryl Cannon Memorandum to Board dated May 12, 2011). The purchase agreement included the provisions that: the ICA would pay Dan Blugerman's broker's fees,¹⁶ and Farmington Public Schools would pay for all legal expenses to Miller Canfield and the appraisal costs to Integra Realty. (Ex. 22). Both parties were required to deposit \$20,000 in escrow, and the property's zoning requirements included the permitted uses as a cultural center, a preschool, a daycare, and a house of worship. (Ex. 22). According to the memorandum to the Board, the purchase agreement also instructed that ICA deposit an additional \$30,000 at the end of ICA's 120 day inspection period upon the Board's approval of the purchase agreement, otherwise ICA's deposits would be forfeited.

The information proffered in Cheryl Cannon's May 12, 2011 memorandum reflecting that the Board knew of the ICA's offer to purchase Eagle Elementary since January 2011 exhibits the glaring asymmetry between the public dealings of the Board and the private dealings of the Board. The Board knew, according to Cheryl Cannon's memorandum, and also reflected in the numerous closed meetings held by the board during this time, of ICA's offer to purchase Eagle Elementary. The Board, however, publicly acted during the Board meetings, wrote in its press releases, and reflected in its public votes, as if Eagle Elementary were not for sale, as if a bid to purchase Eagle Elementary was unwelcome and beyond possibility as the property was not for sale, and as if Eagle Elementary was set to be demolished and used for park land with potential placement on the market at a future date. During this time, the Board met several times in closed session with its legal counsel present. In a September 16th, 2011 article, the Farmington Patch attributes to Amanda VanDusen, Miller Canfield counsel to Farmington Public Schools, the fact that "officials met more than once in closed session to discuss with counsel the district's options and obligations," as quoted in the article. (<http://farmington-mi.patch.com/articles/farmington-board-affirms-eagle-sale-actions>).

During prior Board meetings, the Board addressed the correspondences members received; however, the Board, for several months, failed to ever discuss the emails submitted on

¹⁵ Interestingly, the \$1.1 million figure is the very same number the district cited as the 2010/11 cost of closing and reconfiguring schools, noted in its budget.

See (http://www.farmington.k12.mi.us/district/budget/pdf/budget_1112.pdf).

¹⁶ 3% of \$1.1 million, totaling \$33,000. Additionally the contractual obligation that ICA, the purchaser, would be paying Blugerman's commission differs from the original representation in ICA's expression of interest sent by Blugerman and dated January 12, 2011, that Farmington Public Schools would be responsible for Blugerman's broker's fees.

the ICA's behalf or the ICA's offer.¹⁷ Even during the Board's meeting held on April 12, 2011 when they reviewed bids for demolition,¹⁸ and even in light of the fact that the bids provided for both the inclusion and exclusion of the demolition of Eagle Elementary, the Board never addressed the possibility that the Eagle Elementary property would be considered for sale or that the Board's public vote to demolish Eagle Elementary needed reconsideration.

When deciding between contractors for the demolition project, all Board members were given a memorandum dated March 31, 2011, in which Ronald Aten, Farmington Public Schools' Facilities Architect, wrote on the front page that after the selection of a contractor "Abatement would continue starting May 6th [2011] at Eagle, and progress to the other sites." (Ex. 28- Memorandum from Ronald Aten to Board dated March 31, 2011). However, the next page of the memorandum states, "Subsequent to the post bid interviews with the contractors, the administration has requested to delay the award of the Demolition and Asbestos Abatement portion of the work for Eagle Elementary until a decision is made as to the future of the Eagle site." (Ex. 28). Yet, the Board never held a public meeting or a vote to delay the demolition of Eagle Elementary, nor did it schedule such on its meeting agenda. Instead, the Board continued to protect the sale of Eagle Elementary, benefitting the ICA as the lone buyer, but disadvantaging and excluding all other parties.

On May 3rd, 2011, less than three weeks before the Board would publicly announce the offer to purchase Eagle Elementary by the ICA, the Board held a special joint meeting with the Farmington and Farmington Hills City Councils. Minutes from this joint meeting were written by and subsequently released by Farmington Public Schools affirmed that on February 24, 2010 the Board voted to close and demolish Eagle along with other elementary schools, for bids to be received for asbestos abatement (and awarded by the end of June, 2011), and for the demolition of the sites, the latter scheduled to begin after July 5. (Ex. 29- Board Meeting Minutes, May 3, 2011). Furthermore, at this May 3rd meeting, Cheryl Cannon "indicated that after the sites are demolished . . . [t]he current plan is to leave the sites as playgrounds and ball diamonds until the economy turns around, *at which time they could be sold.*" (Ex. 29) (emphasis added). Thus, in this update from Cheryl Cannon, the district represented to the public and to city officials that Eagle was slated for demolition. (Ex. 29). This was a patent misrepresentation. The district admitted as much in a legal document with the following declaration: "To the extent Eagle Elementary is referenced as a school scheduled for demolition in the May 3, 2011 minutes, this is clearly an error."

¹⁷ Reflected in the Board's meeting minutes from January to May 2011, covering Board Meetings on January 25, 2011, February 15, 2011, April 12, 2011, May 3, 2011, May 10, 2011, and May 24, 2011. See also (Ex. 26- Letter of Susan Zurvalec dated October 27, 2011) (admitting closed session held on April 20, 2010 and erroneously stating that the discussion of property occurred during an open meeting on May 24, 2011); (Ex. 27- Meeting minutes of Board Meeting May 24, 2011) (disposition of Eagle Elementary never publicly discussed.).

¹⁸ In determining which company the Board would select to demolish the closed schools, the Board delayed the vote in order to assure that bidding was advertised and made open to the public. The award regarding the demolition of the closed schools estimated at \$487,825 for the demolition contract and \$144,980 for the asbestos abatement contract. Although the contract dealt with money amounts much smaller than the sale of Eagle Elementary, the contract award granted more consideration and openness to the public to maximize profit for the school district. (See Ex. 28- Memorandum from Ronald Aten to Board dated March 31, 2011).

Any mention that the Board was actually in the process of selling Eagle Elementary in a no-bid sale without ever having listed the property and given the property market exposure—let alone the 12 months recommended by Integra Realty—was deliberately withheld by Farmington Public School representatives in their discussions with the local city councils and later absent from any of the Board’s meeting minutes. Just as they failed to inform the public of their ongoing negotiations with the ICA, the Board extended this same deception to the local city officials.

A week later on May 10, 2011, the Board held another meeting and again failed to publicly disclose its plans for the Eagle Elementary property, including the demolition, the appropriate action as required to delay the demolition, or the possibility of selling the property. At the May 10, 2011 meeting, the Board approved its “preview” for its May 24th, 2011 Board Meeting. This preview was also silent as to the ICA’s offer to purchase Eagle Elementary. ***The next day, however, the ICA signed the purchase agreement prepared by Miller Canfield on the District’s behalf.***

A day later, on May 12, 2011, Cheryl Cannon sent a memo to the board stating that the board had received an offer for Eagle which “followed the Board’s authorization to demolish the five closed school sites which included Eagle . . . *As you know*, the District was approached in January 2011 by the Thomas A. Duke Company, as represented by Dan Blugerman, with a written offer from the Islamic Cultural Center (ICC) [a/k/a ICA], 32220 Franklin Road, Franklin, MI for the purchase of the subject elementary school property in the amount of \$850,000.” (Ex. 22- Cheryl Cannon Memorandum to Board dated May 12, 2011) (emphasis added).

a. May 22, 2011 to June 14, 2011

On May 22nd, 2011, the Farmington Observer first reported the proposed sale of Eagle to the ICA. Mention of the proposed sale of Eagle Elementary to the ICA was not addressed in the Board’s May 10th preview, so the public’s only notification of the pending sale at this point was from the May 22nd Farmington Observer article. However, the residents living in closest proximity to Eagle Elementary live in West Bloomfield Township, do not receive the Farmington Observer, and thus did not know in advance about the impending sale and its consideration by the board at the May 24th meeting. According to an online post in the West Bloomfield Patch dated June 14, 2011, “Officials first presented the sale on a public agenda May 24, *but the offer was made in January.*” (<http://westbloomfield.patch.com/articles/live-blog-farmington-school-board-considers-sale-of-eagle>) (emphasis added).

That same day, May 24, 2011, the Board held a “closed meeting” citing “negotiations” as its basis for closing the meeting from the public. In its open meeting that followed that same evening, the district first publicly presented and the board first publicly considered the ICA’s offer to purchase Eagle. While the board listened to Cheryl Cannon’s presentation on the purchase agreement, there was no substantive discussion that followed and no discussion as to the need to rescind or reconsider its January 11, 2011 vote to demolish Eagle.

Indeed at the May 24, 2011, meeting there was not an iota of discussion amongst board members about this major sale of *prime district* real estate except for Board member Timothy Devine’s comment regarding the district’s good fortune to have this ICA deal fall in its lap. It is

contrary to all logic that a responsible, publicly elected body would simply fail to publicly discuss a sale of property worth in excess of \$1 million, unless they had *already* discussed the matter in closed meetings.

On May 26, 2011, the Farmington Observer published that Cheryl Cannon was being “repurposed” and Ronald Aten retired, two individuals integrally involved in the sale to the ICA. On June 4, 2011, Farmington Public Schools issued a correction that Cannon had “retired.” On June 13, 2011, according to Miller Canfield invoices, outside legal counsel fielded calls and emails from Cannon regarding the “purchase agreement presentation process.” Cannon was conspicuously absent the next day to publicly present the purchase agreement at the contentious meeting during which the board voted in favor of selling Eagle to the ICA, even though Cannon was still in the district’s employ. The district and board saw fit to have its legal counsel present; why not the operations executive who was the district principal shepherding through the sale?

Board members also exited. Board member Deborah Brauer decided to serve only one term and not run for re-election. Board member Timothy Devine also decided not to seek re-election, serving less than one year as an appointment and resigning before his term was completed.

b. June 14th Board Meeting

At the School Board’s regularly scheduled June 14, 2011 meeting, with no interceding public meetings or disclosures to provide information or answer the public’s concerns regarding the sale of Eagle to the ICA, the Board held a public vote to sell Eagle Elementary. The board also went into closed session that evening. According to both the May 24, 2011 agenda and the June 14, 2011 agenda, the school board cites only “negotiations” as the basis to withhold the meeting from the public. One is hard-pressed to imagine what contract negotiations would be so pressing just three days before the district recessed for the summer if not related to the sale of Eagle, the subject of that evening’s heated board meeting and the board’s controversial vote. There is no description of the closed session topic and no reference of the applicable closed session purpose under the Open Meetings Act, MCL § 15.268.

In an unprecedented demonstration of public concern, a crowd of an estimated 200 people jammed into the lobby and spilled out into the parking lot to attend the June 14, 2011 meeting. Not all were admitted into the Board room and many could not wait in the sweltering heat more than a full three hours before the public comment section began. The meeting extended past 1:30am on June 15th, 2011.

This is important as the purchase agreement between Farmington Public Schools and the ICA was signed by Deborah Brauer, acting at the time as secretary of the school board. The date of her signature on the document is June 14, 2011. Since the vote by the board to sell Eagle to the ICA did not take place until just before 1:30am on June 15, this would mean that Brauer signed the purchase agreement before the vote took place and before the board heard community comment—consistent with other evidence that this was a done deal before the board ever voted on it, engineered and secretly negotiated in a sweetheart sale to the ICA.

During the public comments portion of the meeting, the majority of individuals from the district addressing the Board spoke against the sale to the ICA. Some in favor of the sale such as Syed Shah and Asim Khan were eventual contributors to Board Member Karen Bolsen's campaign. (Ex. 30- Board Meeting Minutes June 14th, 2011; Ex. 1- Karen Bolsen's Campaign Contributions). Those associated with the ICA also spoke at the meeting including Dawud Walid, executive director of brother organization CAIR-MI, and both Reem and Fayez Shukairy connected with the ICA's HUDA school in Franklin, MI. Many other out-of-district individuals and representatives of organizations closely affiliated with the ICA, such as the Bloomfield Unity Center and the Tawheed Center, also addressed the board.

The Board heard numerous questions asking why the district had not been transparent about the sale and why Eagle was never listed for sale on the open market. Brad Scobel, an attorney for a major condo developer with a development located across the street from Eagle Elementary, stated that the company for which he works may have had interest, if it were known the property was for sale. Additionally, Scobel stated that the ICA will have purchased the land for a steal once the market turns around.

Among the dozens of community members who spoke against the sale were businessmen and real estate professionals who stated that the no-bid sale of Eagle Elementary contravened standard business and real estate practice, and shortchanged the district's ability to net maximum value for the property. Despite the torrent of objections and concerns raised by district residents—many taking exception to the district's arrogance and lack of transparency, its flagrant contradiction of sound business norms, and lack of regard for its fiduciary obligations to represent the best interests of students, area residents and taxpayers—Board president Howard Wallach stated at the end of the meeting that nothing that he heard that night would suggest that the Board should do other than vote for the sale of Eagle.¹⁹

In the week following the board vote to sell Eagle, legal invoices indicate there had been a "back up offer" and "subsequent offers for Eagle." Yet none of these, like none of the many others summarily rejected by the board, ever saw the public light of day. (Ex. 9- Miller Canfield Billings).

¹⁹ Betsy Kellman, Executive Director of the Michigan Chapter of the Anti-Defamation League appeared to speak at the June 14, 2011 Farmington School Board meeting in favor of the sale to ICA. Ms. Kellman does *not* have children who attend Farmington Public Schools; however, Howard Wallach is a member and past Chair of the Michigan Regional Board of the Anti-Defamation League. Neither party disclosed this connection, until forced by a member of the audience, and witnesses stated that Ms. Kellman seemed otherwise unfamiliar with the sale of Eagle Elementary, yet spoke in favor of the sale to ICA. Additionally, Wallach also served as past president of the Jewish Community Relations Council (hereinafter "JCRC" and formerly known as the Jewish Community Council). Wallach never disclosed his relationship to the JCRC when the Executive Director of the JCRC, Robert Cohen, also spoke in favor of the sale to ICA without demonstrating substantive knowledge of the issues. Neither was it disclosed that the JCRC had been recently honored in Washington, DC, for its collaboration with the large umbrella organization representing the ICA. See <http://www.arabamericannews.com/news/index.php?mod=article&cat=Community&article=4712>. Cohen also does not live in the district nor have children who have ever attended Farmington Public Schools.

The no-bid sale failed to exhibit good business sense or seek to maximize profit to Farmington Public Schools, therefore witnesses state the reason for the sale lies in the tangle of connections, conflicts of interest, inside dealings, and promises made to the ICA.

II. Associations of the ICA to Parties Involved in the Contract to Sell Eagle Elementary

The ICA achieved preferential treatment as the only buyer considered in the sale of Eagle Elementary. Many deep rooted connections and loyalties provided the impetus for the Board to grant ICA's favored buyer status.

Karen Bolsen, who now serves as the Vice President for the Farmington Public School Board, faced re-election in November 2011. According to statements made by Bolsen at the December 2011 Board meeting, her longtime, "close" and "dear" friend is Rana Khalaf. Rana Khalaf is a member of the ICA and has served as the Youth Program Director for the ICA.

Both Bolsen and Khalaf worked together on the Multi-Cultural/Multi-Racial Community Council of Farmington/Farmington Hills ("MCMR").²⁰ Bolsen was instrumental in its development, led the council for 17 years, and served as its executive director alongside Khalaf in her position on the MCMR Steering Committee. According to local press accounts, Bolsen stepped down from her position at MCMR and accepted a promotion for a position at the state level—a reported one week after the Board's approval of the sale of Eagle Elementary. (<http://farmington-mi.patch.com/articles/bolsen-steps-down-from-mcmr-post>). See also (<http://www.topix.net/wire/city/farmington-hills-mi?q=Bolsen>).

After promoting, advocating, and securing the sale of the property to the ICA in the summer of 2011, Bolsen's efforts were rewarded by Rana Khalaf and her ICA associates. On October 16, 2011, Rana Khalaf hosted the ICA Meet and Greet at her home in honor of Karen Bolsen and invited other ICA members. Bolsen's colleague and then-Board President Howard Wallach was also in attendance and benefitted from contributions to his reelection campaign fund from the ICA Meet and Greet as well.

Present at Rana Khalaf's ICA Meet and Greet was Dr. Nabil Suliman, who by self-admission "is ICA" and according to the legal documents supporting the sale of Eagle Elementary, is on the ICA's Board of Directors. (Ex. 4- Legal documentation evidencing sale dated June 14, 2011). Dr. Nabil Suliman does not reside in the Farmington School District nor does he have any children in Farmington Public Schools. At the time of the meet & greet, with the pending sale of the Eagle Elementary property before the Farmington Public School Board, Suliman illegally contributed to Karen Bolsen's campaign by making a donation double the specified \$1,000 per capita limitation.²¹ During the December 2010 school board meeting,

²⁰ On June 20, 2011, less than a week after the school board meeting held on June 14, 2011 after allegations of corruption surfaced regarding the sale of Eagle Elementary, Karen Bolsen left MCMR and accepted a new position to co-chair the Michigan Alliance Against Hate Crimes (MIAAHC).

²¹ Karen Bolsen received a check from Dr. Nabil Suliman in the amount of \$2,000 drawn from his checking account jointly shared with his wife. However, Dr. Suliman's wife never came forward to explain she intended to donate to Karen Bolsen's campaign. Instead, Karen Bolsen claims she returned the excess \$1,000 contributed to the campaign to rectify the contribution received in excess after a third party discovered and revealed the illegal contribution.

Bolsen misleadingly described the over-the-limit \$2,000 contribution she accepted as a “large contribution of \$1,000,” noting that it was donated by “a physician in Bloomfield Hills who has very much appreciated my human rights works *from much longer* than we have been working on the Eagle Elementary discussion.” This donation took place only two days prior to the School Board’s determinative vote to extend the expiration date of the purchase agreement for the ICA to obtain Eagle Elementary, with this important vote taking place on October 18, 2011.

Rana Khalaf and her husband, Dr. Ayman Soubani contributed two hundred dollars to the Karen Bolsen campaign through their donations of food and drink at the ICA Meet and Greet, but most importantly provided the platform for \$2,300 in donations to Karen Bolsen’s campaign, which accounted for almost half of her total campaign budget, fully satisfied the \$1,750.00 out of pocket expenses she contributed to her own campaign, and easily towered over the \$985 in campaign contributions collected from sources outside of the ICA Meet and Greet and Karen Bolsen’s own pocket. (Ex. 1- Karen Bolsen’s Campaign Contributions).

Member and partner organizations to the ICA, in addition to making public statements to support the sale to the ICA, were involved with the inner workings of the sale of Eagle Elementary to the ICA. Farmington Public Schools is represented by Miller Canfield, who represents the Anti-Defamation League (“ADL”), the organization Howard Wallach, then Farmington Public Schools board president, previously led as Chairman. Present at the June 14, 2011 public meeting to urge the board to approve the sale of Eagle Elementary was Betsy Kellman, long-serving executive director of the ADL who served under Wallach’s chairmanship. Neither Wallach nor Kellman disclosed their personal or professional relationship until forced to do so by a member of the community present in the audience. Wallach also served as a past president of the Jewish Community Relations Council (“JCRC”) (at the time called the Jewish Community Council), whose current executive director Robert Cohen also attended the June 14th meeting and prevailed upon the board to sell Eagle to the ICA. Neither Wallach nor Cohen disclosed their common ties to the JCRC.

The Superintendent of Farmington Public Schools and the real estate agent representing the ICA, Dan Blugerman, both served on the Farmington Chamber of Commerce. Additionally, the realty company for which Blugerman works, the Thomas A. Duke Company, is a partner in the District’s Community Advisory Council and prominently stands out as the only realty company listed on the Farmington Public Schools website’s promotion of the Council. (http://www.farmington.k12.mi.us/district/partners_education/pdf/partner_brochure.pdf).

Blugerman directly emailed the Executive Director for Operational Services for Farmington Public Schools, Cheryl Cannon, expressing interest on behalf of his client, the ICA, about purchasing the Eagle Elementary property. Blugerman’s initial email was quickly followed by a purchase offer attached to an email—this email ostensibly before the ICA even walked through the property they eagerly sought to purchase for over a million dollars. The ICA, the purchaser, agreed to pay Blugerman’s commission in the sale—contrary to standard real estate practice. Cheryl Cannon shared information with Blugerman about the sale of Eagle Elementary, including the appraisal itself, that was concealed from the public. Miller Canfield attorney Joseph Fazio first advised the district to actively engage the market to sell Eagle

Elementary. Then when the district failed to heed that advice, the attorney, contrary to standard business practice, instructed the district not to obtain an appraisal for the purposes of selling the property until after securing an interested buyer. All buyers, EXCEPT for the only buyer ever considered in the process, the ICA, were told the property was not for sale. Then, the Board went so far to protect the sale for the ICA that no information was disclosed to the public until the sale was essentially final. The constant and overwhelming presence of these connections and the failure to disclose to the public the connections, the conflicts of interest, and the vital information regarding a \$1.1 million transaction, along with the disparate preferential treatment given to the ICA, creates the requisite cause to investigate the criminal misdeeds and impropriety intrinsic in the sale of Eagle Elementary.

For all the reasons stated above and those that are not included in this statement of allegations but are discoverable through an investigation by the Attorney General, we press that the Attorney General has no choice but to begin a Grand Jury investigation and protect the children and taxpayers of the Farmington Public School District from the effects of corruption in their schools.