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Minnesota Charter School Loses $4.3 Million on Hedge-Fund Bet.

- **Founder of Hmong College Prep Academy resigned Monday**
- **St. Paul, Minnesota, school has $70 million in muni debt**

The founder and superintendent of a St. Paul, Minnesota, charter school with about $70 million in municipal debt resigned a week after the state auditor found the school lost $4.3 million in an improper hedge-fund investment.

Christianna Hang, superintendent of the Hmong College Prep Academy, resigned Monday at a special board meeting.

The departure came after the K-12 charter school drew attention for losing almost all of the $5 million it invested with Woodstock Capital LLC, a New Jersey-based hedge fund, in 2019. The investment wasn't permissible under state law and conflicted with the school's policy, according to a Oct. 18 report by state auditor Julie Blaha.

Hang didn't respond to a message left with the school. Clark Reiner, managing partner of Woodstock Capital, didn't immediately return a call seeking comment.

Charter school bonds are among the riskiest in the municipal market because of the chance that they will shut down if enrollment or academic performance falters. Charter schools receive public funding based on how many students enroll but are operated independently.

About $200 million of $26.3 billion of municipal debt issued for charter schools is currently in default, according to data compiled by Bloomberg.

Hmong College Prep Academy issued $43.3 million of bonds in 2016 and another $26.1 million in 2020 to finance the renovation and expansion of the school, which educates about 2,400 students. The debt is rated BB+ by S&P Global Ratings Inc., one step into junk. Hmong College Prep Academy operates under a charter contract with Bethel University, which oversees the school.

Nuveen LLC was the largest holder of the school's debt as of Sept. 30, with about $33 million, according to data compiled by Bloomberg. Jessica Greaney, a Nuveen spokeswoman, didn't immediately respond to an email requesting comment.

Woodstock, the hedge fund, provided a letter to the school indicating the money would be invested in safer, more liquid instruments such as U.S. Treasuries, according to the school's 2020 financial statement. But when the the school sought to withdraw its funds at the end of 2020, it discovered the value of the investment had plummeted. Minnesota law prohibits the investment of public funds in private equity partnerships or hedge funds.

Hmong College Prep Academy has sued Woodstock and Reiner, the managing partner, alleging they fraudulently induced the school to invest.

Hmong College Prep Academy had about $14 million in cash and investments as of June 30, 2020, according to its financial statement. The school was able to recover $684,762 of its $5 million investment. Woodstock hasn’t provided an accounting of its investment activity, according to the financial statement.

In an Aug. 30 letter to the academy, Bethel University said it had “great concern” related to the management of the school’s finances, governance and legal compliance. Bethel called on the school to fire the superintendent, hire an outside financial consultant and create a a chief financial officer position to remove financial responsibilities from the superintendent. Bethel also recommended that the school be led by someone without any ties to it.

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