

NEVADA STATE PUBLIC CHARTER SCHOOL AUTHORITY

June 28, 2018

Nevada Department of Education  
700 East 5<sup>th</sup> Street  
Board Room  
Carson City, Nevada

Nevada Department of Education  
9890 South Maryland Parkway  
2<sup>nd</sup> Floor Board Room  
Las Vegas, Nevada

**MINUTES OF THE MEETING**

**BOARD MEMBERS PRESENT:**

**In Las Vegas:**

Jeff Hinton  
Randy Kirner  
Nora Luna  
Sheila Moulton

**In Carson City:**

Jason Guinasso  
Melissa Mackedon

**BOARD MEMBERS ABSENT:**

Stavan Corbett

**AUTHORITY STAFF PRESENT:**

**In Las Vegas:**

Patrick Gavin, Executive Director  
Mark Modrcin, Director of Authorizing  
Brian Scroggins, Deputy Director

**In Carson City:**

Tanya Osborne, Administrative Assistant III

**LEGAL STAFF PRESENT:**

**In Carson City:**

Ryan Herrick, General Counsel, State Public Charter School Authority  
Aisheh Quiroz, Legal Assistant, State Public Charter School Authority

**AUDIENCE IN ATTENDANCE:**

**In Las Vegas:**

John Hawk  
Ben Salkowe  
Africa Sanchez  
Tricia Wilbourne  
Crystal Thiriot  
Ercan Aydogan  
Rachelle  
Carolyn Sharette  
Bryan Richardson  
Trevor Goodsell  
Andrea A.  
Amanda Kettleon  
Colin Bringhurst  
Phil Bateman  
Ryan Reeves  
Yolanda Hamilton  
Mike Dang  
R. Gourrier  
Ron Tetirick  
Deborah Borges

**In Carson City:**

None

**CALL TO ORDER; ROLL CALL; PLEDGE OF ALLEGIANCE; APPROVAL OF AGENDA**

**Agenda Item 1 – Call to Order, Roll Call, and Pledge of Allegiance**

Chairman Guinasso called the meeting to order at 9:00am with attendance as reflected above.

**Agenda Item 2 – Public Comment**

Trevor Goodsell – Spoke on behalf of Academica schools, specifically Somerset, on the agenda for a Financial Notice of Concern due to financial concerns. He spoke on the bonds Somerset has issued and requests that the bond revenue be removed from the calculations the agency uses to measure schools' financial health. He explained that issuing these notices will negatively impact schools by hampering their ability to apply for loans in the future.

Ryan Reeves – COO Academica Nevada – Spoke on behalf of all Academica schools and urged the Authority and the Board to reexamine the financial framework the schools are using. He said that using the NACSA framework without amending it for Nevada. If the school is in good standing, they don't deserve to be put on financial notice.

Yolanda Hamilton – Spoke on behalf of NVA and their attorney, Kara Hendricks – expressed dismay at being put on the agenda for financial notice in view of the settlement agreement reached on June 25<sup>th</sup> for their academic underperformance. She cited letters exchanged with Director Gavin in the fall of 2017 and noted that NVA has not received a response to their letter in September of 2017 which itself was a response to a notice of concern issued by the SPCSA. The letter addressed and clarified the relevant financial data. Dr. Hamilton believes that the agreement reached earlier in the week should have hit a “restart” button for NVA’s financial framework in addition to their academic framework. She listed ways in which NVA’s board has resolved outstanding financial issues.

Ben Salkowe – Principal of Equipo Academy – He updated the Board on the progress Equipo has made and explained that Equipo has met all of the goals they set for themselves from their outset in 2015. They just graduated their first class of 38 seniors who have all been accepted to four-year colleges. He expressed his thanks for the 2015 Authority Board’s faith in the school. Mr. Salkowe explained that the financial decisions were made as investments to benefit the school directly. He asked what a school has to do to earn a letter of commendation and requests that the Board and Staff reevaluate the financial framework and clearly delineate what they want from the schools and which actions earn which rewards or consequences. He requested that the Board have a substantive discussion over the opportunity gaps in the demographics of the SPCSA portfolio.

Ron Tetirick – Spoke in objection to Discovery moving to Mt. Olive. He stated the agenda did not adequately reflect the fact that Discovery (a public school) is moving into Mt. Olive (a church). Second, he stated that the Receiver for Discovery claimed that the church is an abandoned building when it is in fact fully operational. Further, Mr. Tetirick cited caselaw that he believes prohibits public schools from using church facilities (*Elmbrook School District vs. Doe*). He asks how the school plans to get around the constitutional prohibition. Finally, Mr. Tetirick does not believe Discovery has exhausted all the other options at their disposal prior to choosing to put their school in a church. He is concerned that this leaves the school vulnerable to lawsuits, which would negatively impact students of Discovery.

### **Agenda Item 3 – Approval of the May 14, 2018 Action Minutes**

Member Kirner abstained from voting, as he was not part of the board at that time the meeting occurred.

Member Moulton moved to approve the minutes of the May 14, 2018 board meeting. Member Luna seconded. The motion carried unanimously.

### **Agenda Item 4 – SPCSA Staff Report**

- Renewal Reports
  - Director Modrcin spoke on the renewal reports that are due for NVA, Doral, Coral, and Learning Bridge. Renewal reports will go out on June 29<sup>th</sup>.

- Chair Guinasso asked when the renewal application process will begin, Director Modrcin explained that the renewal reports are the first step in the process and that they will be before the board in November or December.
- Coral Academy of Science featured in US World & News Report
  - Coral Academy Leadership spoke on behalf of their school. Coral is the 721<sup>st</sup> best school in the country, 7<sup>th</sup> best high school in Nevada, and 157<sup>th</sup> best Charter School in the country. The school is making great strides in their academic programs and looks forward to serving a more diverse population in the future.
- Coral Academy of Science and Pinecrest (Inspirada) named as a “Nevada Governor-Designated STEM School”.
  - Both of these schools were designated STEM schools, meaning that the governor’s office recognized them for strong STEM instruction, concluded by a robust site-visit process. The schools will host other schools interested in receiving the same designation in the future. Chair Guinasso asked that the schools share their Best Practices with the Board later.

**Agenda Item 5 – American Preparatory Academy’s Charter Contract Amendment Request (Expansion)**

Staff recommends conditional approval.

School administrators spoke briefly on the school’s behalf. Member Moulton expressed concern about the lack of diversity at APA and is interested to see an increase. Chair Guinasso asked if the school has a weighted lottery and they responded that they are incorporating a weighted lottery as part of their renewal.

Member Kirner moved to accept Staff’s recommendation to conditionally approve American Preparatory Academy’s request to amend their charter contract to include expansion. Member Luna seconded. The motion carried unanimously.

**Agenda Item 6 – Discovery Charter School Charter Contract Amendment Request (Relocation)**

Staff recommends conditional approval.

Discovery’s current campus is deteriorating and in need of ongoing repair and maintenance. They are requesting to relocate from their Mesa Vista campus to Mt. Olive. The move is advantageous for the school in several ways – improved infrastructure, potential increased revenue, and generally better learning environment.

Director Modrcin clarified legal concerns about the charter school being housed in a church. He stated that if the instruction remains entirely secular and the education is in no way influenced by the church, it is statutorily allowed.

School officials and their legal representation, Africa Sanchez, spoke in support of Discovery. Member Moulton inquired about the diversity at the school and said she understands the concerns about housing a public school in a church building.

Chair Guinasso asked for an update on how Discover's receivership is going and on the performance of the elementary school under the receiver. He wanted the board to know that they are approving an amendment for a charter school that is improving. School staff provided handouts (see supporting documents) showing how well the school has been performing.

Member Moulton moved to approve Staff's recommendation to move its campus without increasing enrollment or grade levels. Member Mackedon seconded. The motion carried unanimously.

**Agenda Item 7 – Leadership Academy of Nevada (Dual Enrollment Policy Update)**

Staff recommends conditional approval.

Vice Chair Mackedon asked if the proposed program is similar to the Jump Start program. School officials said it is not the same – they will use outside instructors.

Member Moulton asked the school to attempt to increase their diversity. She also clarified that there is no charge for students to enroll in the dual enrollment policy.

Vice Chair Mackedon moved to accept Staff's recommendation and approve Leadership Academy's Dual Enrollment policy update. Member Moulton seconded. The motion carried unanimously.

**Agenda Item 8 – Nevada State High School Charter Contract Amendment Request (Expansion/New Campus)**

NSHS is requesting to open two new campuses over the next two school years to meet the need of the communities. John Hawk, the COO of NSHS, spoke in support of the amendment and commended the SPCSA, Director Modrcin in particular, for the quality of the communication between the SPCSA and NSHS.

Staff recommends conditional approval.

Vice Chair Mackedon moved to accept Staff's recommendation and approve Nevada State High School's expansion to open one campus in 19-20 and one campus in 20-21. Member Moulton seconded. The motion carried unanimously.

**Agenda Item 9 – American Leadership Academy Amendment Request (EMO termination)**

The school is looking to change their EMO and rename the school Freedom Classical Academy.

Staff recommends conditional approval.

Member Moulton moved to accept Staff's recommendation for American Leadership Academy to change from one EMO to another. Member Kirner seconded. The motion carried unanimously.

**Agenda Item 10 – Quest Preparatory Academy**

Quest's receiver, Josh Kern, is requesting that the board approve the school's request to close their Bridger campus. The expansion to the campus was never approved by the board to begin with, and it is ultimately an unaffordable expense for the school. They are currently engaged in litigation over the campus, and Mr. Kern is asking that the board make the distinction that Quest did not open the Bridger campus in the correct manner. The school has made arrangements for the remainder of the Bridger campus students to attend other facilities, including Quest's original campus.

Member Kirner asked why the Board must approve the closure of a campus whose opening was not approved. Mr. Herrick said that this amendment needs to be done to make it official, that the students are no longer at the school and that the campus has been eliminated from their charter.

Quest has argued in court that there cannot be a valid lease if the Charter school did not have the authority to enter into that contract. This issue is at the heart of the CSP Bridger litigation. Mr. Kern asked that the board make it clear that they did not approve the move to Bridger campus, but also make it clear that they are still sanctioning the elimination of that campus.

After conferring with counsel, Mr. Kern asked the board to issue a retroactive resolution to open the Bridger campus and then finding that there was no approval for the opening of that campus, to deny that application, thereby making it clear that Quest has no right to be occupying the Bridger campus. Considering a motion to pass a resolution retroactively denying Quest's request to occupy the Bridger campus. The denial of that application would make it clear that Bridger cannot occupy that campus.

Chairman Guinasso asked how the Board can deny an application they never received. Mr. Herrick shared Chair Guinasso's concerns and said that Staff was not prepared to offer recommendations on something that took place several years ago.

Chairman Guinasso moved to approve the recommendation of Staff to allow Quest to move from its Bridger campus to the new campus with the understanding that Quest never received approval through the normal application process to move to the Bridger campus in the first place. Additionally, the board finds that Quest has been in breach relative to that issue.

After discussion about the precise wording of the motion and the history of the receivership of the school, Chair Guinasso withdrew his motion and tried again.

Chair Guinasso asked that the board find that it has never approved an application from Quest to operate and move into the Bridger campus. Based on that finding, he moved that the board require Quest to vacate the Bridger campus and that further approve the application to move Quest to the Northwest Campus. Vice Chair Mackedon seconded the motion. There was discussion in which the precision of the language of the motion was addressed. The motion carried unanimously.

### **Agenda Item 11 – Doral Academy Charter Contract Amendment Request (Distance Education Addition)**

Staff recommends conditional approval.

Chairman Guinasso motioned to accept Staff's recommendation to approve Doral Academy's amendment request. Member Moulton Seconded. The motion carried unanimously.

**Agenda Item 12 – Mater Academy Charter Contract Amendment Request (Distance Education Addition)**

Staff recommends conditional approval.

Chairman Guinasso motioned to accept Staff's recommendation to approve Mater Academy's amendment request. Member Moulton Seconded. The motion carried unanimously.

**Agenda Item 13 – Pinecrest Academy of Nevada Charter Contract Amendment Request (Distance Education Addition)**

Staff recommends conditional approval.

Chairman Guinasso motioned to accept Staff's recommendation to approve Pinecrest Academy's amendment request. Member Hinton Seconded. The motion carried unanimously.

**Agenda Item 14 – Somerset Academy Charter Contract Amendment Request (Distance Education Addition)**

Staff recommends conditional approval.

Chairman Guinasso motioned to accept Staff's recommendation to approve Somerset Academy's amendment request. Member Kirner Seconded. The motion carried unanimously.

**Agenda Item 15 – Sports Leadership and Management Academy – SLAM Charter Contract Amendment Request (Distance Education Addition)**

Staff recommends conditional approval.

Chairman Guinasso motioned to accept Staff's recommendation to approve SLAM Academy's amendment request. Member Moulton Seconded. The motion carried unanimously.

**Agenda Item 16 – Financial Framework – Notices of Concern/Breach –**

In light of public comment and other comments made privately, Chair Guinasso decided to take this agenda item out of order to better prioritize efforts. Director Gavin spoke about the historical context of the financial performance framework for the schools and briefly explained the processes and pitfalls of the current financial framework. He cited auditor error as the reason for a lack of consistency across all the schools. He explained that the schools who are at risk of receiving notices for financial breach were made aware of their underperformance via letters last year. The new notices would address whether those deficiencies cited last year have been resolved. Chair Guinasso asked what effort the SPCSA has made to engage with the schools in its portfolio to clearly explain the financial framework to interested parties and answer any questions to avoid this confusion. Director Gavin answered that the SPCSA does not have a CPA on Staff. He said that the SPCSA has made efforts to communicate with the schools and that the schools had abundant notice of these problems.

Chair Guinasso asked Director Gavin to explain what the financial framework indicates about the overall fiscal health of the schools.

Chair Guinasso asked that “we not elevate form over substance” and ensure that the financial framework actually represents the schools’ fiscal health and not issue notices gratuitously.

Director Gavin again stated that the SPCSA does not have a CPA on staff.

Chair Guinasso called Ryan Reeves, of Academica, to explain the auditing process and how things have gotten to this point.

Vice Chair Mackedon interjected that she does not believe the Board did an adequate job consulting with schools on this framework. Even if that were the case, it was five years ago, and the portfolio has grown significantly since that time. In 2013, the Board largely just accepted NACSA’s financial framework with very few tweaks. She argues that the framework is not working well in the current landscape. She believes it would be wrong to be heavy-handed with this framework when Staff and the Board are well-aware that it is bad framework. She explained that Notices of Breach have very serious financial consequences for the schools. “If we know this tool has some flaws, it would be wrong to be heavy-handed”. She asks for changes to be made to the framework.

Director Gavin stated that it is neither his position, nor Staff’s, that the tool is flawed. He stated that the auditors and audits are flawed, and it is not the SPCSA’s job to oversee auditors.

Chair Guinasso argued that if the board’s information is based on a flawed system, issuing notices based on that flawed information is unfair.

Member Luna weighed in and said that the board approved the work at the time it was introduced and that the board should be consistent.

Ryan Reeves spoke and praised the difference between last year and this year in the approach by the SPCSA and commended Mark specifically. He said that auditors are not interpreters, they are calculators. He said the problem is not the fault of the auditors, but it is the responsibility of this body to put forth adequate instructions so that an accurate reflection of the schools’ financial health is produced. He said that a GASB audit is different from a GAP audit and it is not the fault of the auditors. Mr. Reeves suggested tweaks to the financial framework such as using a three-year average as opposed to an annual calculation. He also gave other examples of ways in which the current framework falls short – for example, not accounting for occasions when schools save up money (over years) for a specific expenditure and are then penalized for spending more money than they made in a single year.

Director Gavin and Mr. Reeves and Mr. Goodsell discussed what measures are and are not on the audit and included in the financial framework. Director Gavin continued to explain different options open to the board to address the issue or rework the financial framework included in the Charter contracts.

Chair Guinasso, after discerning that there is no statute compelling the timeliness of the issuance of notices, proposed that the Board and Authority hold a Financial Framework Workshop in



which Staff would solicit input from the schools and other outside resources to determine what is and is not working in the current framework. He stated that he is not comfortable with issuing notices right now, given the information put forth at this meeting. He suggested that the agenda item be continued indefinitely and that the board have the workshop at one of the August meetings. He suggested sending invitations to the school, asking for information and input, combine this with input from Staff and others, and modify the framework accordingly. After this change, the board will revisit the agenda item and make these decisions.

Chair Guinasso motioned to continue Agenda Item 16, regarding The Financial Framework, indefinitely. Member Moulton seconded. The motion carried unanimously.

### **Agenda Item 17 – Argent Preparatory Academy**

Receiver, Josh Kern, spoke on the progress Argent is making in regard to the closure of the school. He explained that in March, the board approved the closure under the conditions that they offer Summer school for students to finish or make up credits and that they help transition students to other schools. On June 20<sup>th</sup>, Mr. Kern received a court order granting the motion to close Argent and surrender its charter. They are currently holding Summer School with 39 students enrolled – some through August 17<sup>th</sup>. Argent has contracted with administrators to help students transition into new schools – twelve in all – and these administrators will visit former students and parents to ensure that the transition has gone well. They have matched students with schools specifically and communicated with students, families, and new schools to facilitate this transition.

Argent is currently working on several points pertaining to the closure of the school. They are working on moving student records to different schools/districts. They are selling the properties they own as well as inventorying and selling off said inventory. Through doing due diligence in selling these properties, they discovered a second deed of trust that lists NDE as the beneficiary. As a result of this second lien, Argent has not been able to sell the properties yet. NDE is executing documents to convey the lien.

Argent plans to liquidate the remaining inventory – worth roughly \$100,000 as a matter of the winding-down process.

Members of the board commended Mr. Kern for his work on this matter.

### **Agenda Item 20 – Long-Range Board Calendar**

Mr. Herrick briefed the Board on its Long-Range Calendar. He noted that the calendar has been updated regarding meeting facilities, renewals and new applications, and the Star Ratings which will dictate much of the rest of the year's meetings. The Financial Framework workshop has been tentatively scheduled for the August 24<sup>th</sup> meeting. In November, Staff will be prepared to provide recommendations on the renewals and new applications received during the renewal and application windows.

Chair Guinasso asked to put Pat Hickey of CSAN on the calendar for an ACT Aspire conversation. Vice Chair Mackedon noted that schools need to know whether they need to schedule these tests. She asked that Staff place this conversation on the agenda for the September

meeting. Director Gavin expressed that the schools should plan on taking the ACT Aspire exam, just in case. He also expressed concern that Staff does not have the capacity to adequately address the ACT Aspire conversation in addition to the rest of its workload with regard to the Academic Framework and NSPF scores.

Chairman Guinasso asked that Staff schedule Pat Hickey to give a brief talk about ACT Aspire at the September 28<sup>th</sup> meeting.

Finally, Director Gavin and Chair Guinasso discussed having the board approve the SPCSA budget. Director Gavin stated that the budget is confidential, so the Board can't actually see it, but is supposed to approve it. Chair Guinasso asked Staff to look into this. He asked to put the budget approval as an item on the November meeting.

**Agenda Item 21 – Public Comment #2**

None.

**Agenda Item 22 – Adjournment**

The meeting was adjourned at 2:00pm.

**Testimony of Josh Kern, Receiver, Argent Preparatory Academy and Quest Preparatory Academy to the SPCSA on June 28, 2018**

**Argent:**

Good morning. My name is Josh Kern, and I am the court-appointed receiver for Argent Preparatory Academy.

As you know, at the March 23, 2018 SPCSA Public Hearing, I recommended that the SPCSA approve the surrender of Argent's charter and allow for an orderly closure of the school. At that same Public Hearing, the SPCSA made the difficult decision to approve the recommendation and to close Argent at the end of SY 17-18 with the following two conditions: (1) that Argent conduct a summer school to give Argent's over-credited juniors and credit-deficient seniors a way to graduate from Argent, as well as to allow other students who are behind in credits the opportunity to catch up on their course work; and (2), that Argent provide necessary and appropriate supports to students transitioning to new schools.

Today, I want to update you on the closure process, especially as it concerns these two conditions, as well as to provide an overview of the major tasks associated with the closure plan. Before I begin with Argent's recent activities and closure plans, you should know that on June 20, we received the court order granting the motion to close Argent and surrender its charter. The SPCSA has a copy of this court order.

First, as per the SPCSA's vote in March, Argent is currently holding summer school. Summer school started on June 11th and runs until August 17th. Thirty-nine students are enrolled. Summer school runs Monday through Friday, 9:00 AM to 3:00 PM, and students have remote online access to courses during this time as well.

There will be three summer sessions. Session 1, currently underway, from June 11 – 29; Session 2 from July 9 – 27; and Session 3 from July 30 - August 17. Students are somewhat front-loaded with their courses, meaning that there are more students signed up for the first session than the last. The week of August 13-17 will conflict with Washoe County School District start dates, and therefore no Washoe County students are signed up for that session.

The courses being offered during summer school include:

English Language Arts grades 9 through 12

Math: Algebra 1, Geometry

Social Studies: World History, American History, and Government

Science: Physical Science, Biology, and Earth Science

There will be a small graduation ceremony on August 17th at the school. We are anticipating seven graduates for the August 17th ceremony.

Second, and of particular importance, is the plan to support the students through the transition. I am pleased to report that Argent has contracted with both Joanna Perry and Krystal Hoefling to stay on for the entire SY 18-19 to provide supports to the transitioning Argent students. Under these contracts, Mrs. Perry and Mrs. Hoefling will serve as liaisons with the students once they have transitioned into their new schools. We expect there to be about 70 such students who will attend over 12 high schools across multiple counties. Among many other things, for the first three months of the school year, Mrs. Perry and Mrs. Hoefling will visit all students at least once a week in their new schools, as this is the time of most significant adjustment to their new learning environments. After the first three months, they will meet with students, school officials and/or parents on a bi-weekly basis.

Mrs. Hoefling and Mrs. Perry are already doing important work in this new role. They have researched schools that would fit the needs of Argent students and are reaching out to numerous schools for information about their program offerings. They compiled a list of schools for parents based on districts that could serve their students' needs. And they have met or spoken by phone with every family to discuss a specific school that would be an appropriate match for its student(s).

Pioneer High School appears to be the most popular choice for Argent students, due to its location, program, and willingness to work closely with the staff and families of Argent Prep. Pioneer High School is a Carson City sponsored school, but will also accept out-of-district students upon variance approval. Pioneer has a small student population of 180 students, which is attractive to many of our families, as well as several program offerings including a traditional setting, a blended setting and a rigorous online option for students that cannot attend a brick and mortar school. The Pioneer counselor and Registrar have worked closely with Argent staff, including coordinating a parent information session that many families attended.

While some of Argent's families have completed registration packets with identified schools, and records have been requested and sent, many families still have not. Of the approximately 70 students that we expect to enroll at another northern NV high school in SY 18-19, 21 are now fully enrolled in other schools, 13 are partially enrolled, and the remaining approximately 36 students have told Argent where they plan to enroll, but have not started the enrollment process. All 70 students have informed Argent of their intended school for next year. The remainder of former Argent students have either graduated or moved.

Mrs. Perry and Mrs. Hoefling will spend the next few weeks continuing to reach out to the families that are still not fully enrolled, will encourage them to complete registration packets with their intended school, and will otherwise do what is necessary to support parents in this process.

Argent has also compiled transfer notes on all Argent students and has shared these notes with the Nevada Department of Education and with respective districts who will receive Argent students. This compiled data is intended to give districts an understanding of the students they will be receiving from Argent Prep so that supports may be identified in advance and the schools/districts may plan accordingly.

At the last hearing, I promised that I would share any major concerns we are hearing from Argent families about the closure and transition. At this point there are two.

First, Lyon County does not have any alternatives other than the zoned schools, and there are 33 Argent students who reside in Lyon County. Of these 33, 18 will return to their zoned traditional school. Some of our students residing in Dayton will be able to go to Pioneer High School, but those that reside in Silver Springs and Fernley will not have transportation.

Second, Douglas County has one alternative high school, Aspire, and they are at capacity. Many students have inquired about Aspire High School, but were told they have a long waiting list and that acceptance takes a long time. Fortunately, Pioneer is accepting variances for some of these students.

There is still much work to do this summer supporting Argent students through the transition, including meeting with the administrators of the receiving schools, and compiling information about available resources in a user-friendly way. Such information will include items such as how parents can access grade monitoring for their students.

Before moving on to other items of the closure/winddown plan let me just mention one additional step that is allowing Argent to continue to support its students since the closure announcement. Earlier this year, I approved a severance package for Argent employees who had been with the school for more than 1 year. This severance policy would apply to 6 employees. Severance is equal to 1 month's salary for every year worked at the school and in total will have a total cost just under \$100,000.

One of the most challenging aspects of school closure is keeping employees at the school after the closure announcement. I believe this severance policy is appropriate and necessary to keep employees committed to the school through the end of the school year and through summer school in order to provide the best possible support to Argent students.

In terms of the closure/winddown plan I want to address four main areas today. First, the transfer of student records; second, the sale of real property; third, the sale of other asset; and fourth, other necessary activities prior to dissolution.

First, in regard to student records, Argent is currently working with all receiving school districts to determine the plan for the transfer of permanent student records. For example, for Washoe County, Argent will transfer all student records for all students who ever attended Argent/SSCS and who resided in Washoe County spanning the years 2005-2018. We anticipate a similar process to be completed for all districts by September 1, 2018. We are currently working with SPCSA staff to determine what should happen with cumulative student records that are not transferred to the receiving school if the corresponding district will not house those records.

Second, Argent is scheduled to close on the sale of two of its three properties, 900 Mallory Way and 900 Fairview Drive, tomorrow. 900 Mallory Way is being sold for \$975,000 and 900

Fairview is being sold for \$350,000. All of the net proceeds from this sale will be used to pay down the Bank of America note from approximately \$2.7M to \$1.45M.

As part of the due diligence process associated with the sale of these two parcels we discovered a second deed of trust on all three properties naming the Nevada Department of Education as the beneficiary. This Second Deed of Trust had not previously been disclosed and did not appear on any of the school's audits or financial statements. The Second Deed of Trust was based on an unfunded Promissory Note between Silver State and NDOE for \$1.18MM, plus "the amount paid by Borrower to pay off the First Deed of Trust" with Bank of America.

After some investigation, it appears that at the time of the purchase of these properties in 2011, there was some discomfort about the school using its funds (the source of at least some, if not all, of which was the DSA) to purchase a facility. The Second Deed of Trust with the accompanying unfunded Promissory Note was placed on the properties as a way for the Nevada Department of Education to get some additional security that, if the buildings were ever sold, the proceeds would be used for the benefit of the school/students or be returned to the State. In other words, the Second Deed of Trust was a stopgap measure until additional laws/regulations could be drawn up. Now that NRS 388A.306 and NAC 386.335 are in place requiring that all funds at time of final winddown be returned to the Nevada Department of Education, this stopgap measure no longer seems necessary.

Unfortunately, with the Second Deed of Trust in place, Argent was not able to sell the properties and so Argent asked the Nevada Department of Education to reconvey this second lien as part of our effort sell the properties and wind down the affairs the school. Given that Silver State made the \$1.18MM deposit and that NRS 388A.306 and NAC 386.335 are in place, the reconveyance is more of a technicality than a substantive matter.

The Nevada Department of Education has been extremely cooperative in getting this lien reconveyed so that Argent can sell these two properties. The Department of Education has executed the reconveyance documents, and we are on schedule to close this week.

As soon as these properties are sold, Argent will list the third and final property for sale. The third property, 700 Fairview, with an approximate value of \$3M, is by far the most valuable of the three properties and, once sold, will leave Argent with sufficient funds to pay off the remaining Bank of America loan balance and return substantial funds to the State of Nevada at final winddown pursuant to NAC 386.335. I expect the sale of this third and final property will happen before December 31, 2018.

Third, in addition to the aforementioned real property, Argent has hundreds of other tangible assets. Argent is currently in the process of performing a physical count of all onsite assets to compare against the existing inventory list. In reviewing the inventory list, it appears that the items fall into one of the following categories: Computers & Computer Accessories, Furniture, Vehicles, Instructional Equipment, and Miscellaneous, with the majority of the inventory being assigned to the Computers & Computers Accessories category. Most of the items are in proper working condition, and we estimate the total value of all items to be approximately \$100,000.

In order to return the maximum amount of funds to the state, Argent plans to liquidate most of this inventory over the next several months. Several options have been reviewed including a public closing sale, advertisements through craigslist, and local auctions. Argent may also determine that some items with limited liquidation value should be offered to other public schools at no cost. Argent plans to begin liquidation of these assets this fall.

Fourth, there are a number of significant activities that must be completed prior to final winddown and dissolution. All vendor relationships and contracts must be terminated. Any and all open legal issues must be resolved. We also need to complete the financial audit for SY 17-18., as well as other final steps. We are targeting Spring of 2019 for final winddown and dissolution, within the 1-year window provided by NRS 388A.306(1)(b).

## Quest

For the record, my name is Josh Kern and I am the receiver for Quest Preparatory Academy. I want briefly to address two items today. First, Quest Academy's proposal to consolidate the Bridger Campus into Quest's Northwest Campus, and second, some updates concerning preparations for next year.

First, Quest Academy is proposing to consolidate the Bridger Campus into Quest's new Northwest Campus. All students having attended the Bridger Campus have been offered guaranteed enrollment at Quest's Northwest Campus.

As you know, the entire Bridger transaction was conducted in violation of Quest's Charter and of controlling Nevada law. Pursuant to Quest's Charter, a lease amendment must be submitted and approved by the SPCSA in writing in order to open a new campus. The opening of a new campus is considered to be a material amendment to the Quest Charter. Pursuant to NRS 386.527 any material amendment to Quest's Charter will be effective only if approved in writing by the SPCSA. There is no evidence that the foundation lease (between the property owner and the Chartered for Excellence Foundation (CFEF)) or either sublease (between CFEF and Quest) was approved in writing by the SPCSA.

As Receiver, I was tasked, among other things, with cleaning up the affairs of Quest. Clearly, it is not acceptable for Quest to continue to operate in an unapproved location in violation of Nevada law, just as it is unacceptable to, for example, not make the mandatory contributions to PERS.

Quest was hoping to be able to come to some agreement with the Bridger landlord such that Quest would be able to submit a Retroactive Charter Amendment Application to expand school operations to the Bridger Campus, thereby addressing this prior unlawful act. Unfortunately, despite Quest's enormous efforts, the school was unable to reach an agreement with the Bridger landlord.

As a result of the landlord's actions, including the continued eviction efforts to remove Quest from the Campus despite Quest paying market rent for the space, Quest was forced to close the Bridger Campus. Quest will vacate the Bridger campus by this Saturday, June 30th. All of the furniture, fixtures, and equipment owned by Quest at Bridger have already been moved to the Northwest campus.

You should know that the Bridger landlord is still seeking hundreds of thousands of dollars in damages for past rent due under the lease with the Foundation and Quest by stepping into the shoes of the foundation as sublandlord. The school could not withstand such a financial hit if the court ruled in favor of CSP.

Quest's number one concern is always for the safety and wellbeing of our students and families, and Quest does not want to risk the forced displacement of this very diverse population of students. Fortunately, Quest now has a long term, affordable, and educationally appropriate



location in its Northwest Campus. This campus has, in fact, been approved by the SPCSA in writing, following a written charter amendment application, and it has space available for all Bridger students. Consolidating the Bridger Campus into the Northwest Campus will remove students from an unapproved, inappropriate, and unaffordable location and allow the Bridger Campus student body to take full advantage of an approved, appropriate, and affordable campus.

Quest's current enrollment at the Northwest Campus for SY 18-19 stands at 509 students. Quest ended the 17-18 school year with 120 students at the Bridger Campus. The Northwest campus holds 700 students in the classrooms alone (28 classrooms at 25 student/classroom). In short, there is more than sufficient room to accommodate all the Bridger students at the Northwest campus.

Quest has notified all the Bridger families that the Bridger campus is closing and that Quest is guaranteeing enrollment for all Bridger students at Northwest. A letter was sent out on June 8<sup>th</sup>, and, since then, Quest has called every Bridger family. Of the 120 students that attended Bridger at the end of SY 17-18, 100 had indicated that they planned to return in SY 18-19. Of those 100 students that had planned on returning to Bridger in SY 18-19, twenty-nine have confirmed that they will attend the Northwest campus next year, and we expect a few more former Bridger students to enroll. For many of the former Bridger families, especially the ones that live very close to the Bridger facility, there are other schools that are more conveniently located to where they live. The majority of the students plan to go to a local CCSD school.

Second, I want to provide a brief update on planning for next year. Summer is a critical time for planning purposes, and this is the first summer where Quest has a full school improvement effort in place. Some of the items being addressed this summer include:

- Designing and implementing an enhanced teacher interview protocol to be used for all SY 18-19 hires.
- Ensuring that every teacher has a teaching guide for ELA and Math.
- Creating One SBAC aligned question for every day for every school year for grades 3-8.
- Finalizing the revised teacher evaluation system, which is largely based on Charlotte Danielson in combination with NV evaluation system.
- Implementing clear and detailed classroom behavior expectations.
- Creating pacing guides for most grades and subjects.
- Designing a full-year, outcome-oriented professional development program aligned with standards

One major change that I want to bring to your attention is that Quest dramatically increased its instructional pay scale to be more competitive with Clark County, specifically CCSD, to be able to attract and retain high performing teachers. The previous scale was significantly below CCSD. For example, teachers at Quest with a Bachelors Degree were paid between 8.3-19.9% less than CCSD depending on years of experience. The new pay scale closes that gap significantly. Teachers with a Bachelors degree will now only see a difference of 2.9-7.6% compared to CCSD. Quest's new scale is extremely competitive when looking at other charter schools as well.

The Northwest Campus had 31 teachers in SY-17-18. 16 of those teachers will be returning for SY 18-19. Nine new teachers have been hired, and active recruitment continues for qualified new instructors based on changes in student enrollment figures.

Finally, I just want to say a quick word regarding Quest's financial report card. As I previously reported, Quest made significant improvement in all areas of the financial framework meeting all of the targets except for accurate enrollment projections. Quest submitted its FY 2016-2017 budget with anticipated enrollment numbers on June 8, 2016. Those numbers included the high school, located at the Roberson Campus, as we were continuing negotiations with Tower Distribution Inc. to attempt to stay at the location. Despite assurances from the landlord, the city was unwilling to extend the one-year special use permit at Roberson, forcing Quest to close this campus. Quest notified the SPCSA at the June 13, 2016 hearing, and Quest vacated the Roberson Campus on June 25, 2016. I would respectfully suggest that this extraordinary and involuntary event should not overshadow Quest's strong financial performance in 2016-17. To be clear, missing enrollment projections for this reason is not in and of itself any indication of the school's financial performance.

On behalf of Quest and Argent, thank you for your attention to these matters. I would be happy to answer any question you might have.