

## **Statement of Joshua Kern**

### **Court-appointed Receiver, Argent Preparatory Academy, formerly known as Silver State Charter Schools, in Carson City, NV**

My name is Joshua Kern. I am the Court-appointed Receiver for Argent Preparatory Academy, formerly known as Silver State Charter Schools, in Carson City, NV. Earlier this month, on August 10, 2022, the First Judicial District Court of Nevada granted my motion to terminate the Receivership and approve the Receiver's final report to the court. As such, I would like to take an opportunity to provide a brief history of my work as Receiver for Argent and answer any questions or concerns you might have.

On June 28, 2016, a Joint Petition for Appointment of Receiver was filed with the First Judicial District Court of the State of Nevada for Silver State Charter School ("Silver State") and the State Public Charter School Authority ("SPCSA").

On July 1, 2016, at the request of both Silver State and the SPCSA, the Court entered the Order for Appointment of Receiver, appointing me as Receiver ("Receivership Order").

The appointment of a Receiver was agreed to by Silver State as an alternative to the closing. Silver State went through a charter revocation proceeding in the previous year. The charter revocation proceeding was eventually resolved with my appointment as Receiver for Silver State.

Argent faced three immediate and severe challenges at the time of my appointment: Student under-enrollment, teacher vacancies, and default on its sizable debt. In addition to those immediate challenges, Argent was forced to place its then Executive Director on leave and ultimately terminate her employment. Also, Argent's general operations were in disarray. Just one example of the operational dysfunction was that Argent had, without notice to any teachers, changed its Learning Management

System just before the start of the 2016-17 School Year. Argent faced legal, financial, and personnel challenges throughout my tenure as Receiver.

On top of all of these challenges, Argent suffered from a program design that was not meeting the educational needs of its students.

I spent countless days at Argent throughout the Receivership, and for several years provided regular, often monthly, public testimony to the SPCSA on Argent's condition.

In many respects Argent made great progress and improvement over the course of the Receivership—especially to its personnel, policies, and operations. Argent hired an entirely new administrative team, including a new principal, academic advisor, dean, and chief financial officer. Additionally, Argent successfully concluded a long-standing litigation matter with the Nevada Teachers' Union and received an extension on its facility note with Bank of America. Argent also completed a major student data cleanup effort that, among other things, resulted in a much-improved student graduation rate. Finally, Argent received accreditation from the Northwest Accreditation Commission Board.

Importantly, Argent also reconsidered its mission, vision, program, curriculum, and attendance policy to better align with other high-performing online and distance education models.

Despite these many accomplishments and improvements, Argent was simply unable to resolve its fundamental existential problem; namely that Argent's model, similar to most distance education programs, was premised on the assumption that it would attract students who were high-performing and self-motivated and who, for valid reasons, were not being well served in a traditional school and would be better served by a distance education program.<sup>1</sup>

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<sup>1</sup> It's important to note that a distance education model is often not an effective model for students who are not otherwise high-performing and self-motivated. The research is overwhelming on this point. Research also shows that the impact of distance education on students who are not high-performing and self-motivated is, more often than not, quite detrimental.

Prior to my appointment as Receiver, Argent existed for several years as a distance education program that intended to serve high-performing, self-motivated students, but in fact, served a very different kind of student. The students who enrolled at Argent primarily were either 1) students who historically had difficulty attending school because of physical ability or other medical condition 2) students who had been bullied or had otherwise not succeeded at their traditional school and/or 3) students who were under-credited and disengaged. In general, according to Argent's Accreditation Report, Argent's student body suffered from academic apathy and home lives not conducive to healthy development. Students in each of these categories are potentially more likely to lack the foundational knowledge, skills, and habits for high school grade-level achievement, and are likely much more in need of strong, structured interventions and repeated and regular touch-points to close educational gaps. The data showing a relatively high course failure rate at Argent confirmed this assessment.

As Argent attempted, under the Receivership, to re-invent the program and move toward a true hybrid model with meaningful in-person instruction that effectively served students and was accountable to academic outcomes, enrollment declined. In other words, while there was demand for an unstructured, distance education program with low accountability (especially from students who are least served by it), there did not appear to be sufficient demand for the kind of program that Argent needed to develop.

Ultimately, in light of the aforementioned challenges, I decided to recommend an unpopular, but in my view necessary, course of action—to close Argent so that its students could be better served by another academic institution.

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At the time of closure, Argent's primary asset was its real property located at 788 Fairview Drive (the "Property"). Unfortunately, soon after Argent was closed and before Argent could sell this Property (Argent had successfully sold its two other adjacent real properties) the COVID-19 pandemic hit and crashed the commercial/office market. The demand for 25000 sq ft of class B/C office space located on the outskirts of Carson City evaporated after March of 2020.

After more than two years, and two contract purchasers' failed attempts to purchase the property, Argent was able to sell this final Property for \$2,250,000. Although this sales price was significantly less than the appraised value before the pandemic, \$2.25M was more than the sales price of the prior two purchase and sale contracts and more than any other party had offered.

The sale closed on December 17, 2021. The proceeds from the sale of the Property were used as follows: \$2,058,500 to pay the holder of the Property's first Deed of Trust, \$16,395.31 payoff to the State of Nevada to refund a previous overpayment to Argent from Nevada's Distributive School Account ("DSA"), \$135,000 Brokers commission (6%), outstanding legal fees of \$45,000, and other real estate transaction fees in the total amount of \$20,832.15. The total fees from the sale of the Property exceeded the proceeds by \$25,667.46. Argent funded the escrow account in the amount of \$25,667.46 to cover closing costs.

There were two remaining liabilities post-closing: Public Employee Benefits Program ("PEBP") and teacher severances.

In May of 2022, PEBP agreed to transfer Argent's liabilities of two former Argent Employees to other organizations such that the Argent liability has been extinguished.

In June of 2022, three teachers that were owed severance agreed to a partial payment of approximately 30% of what was owed to them in return for acceptance that Argent's obligation had been satisfied and a release of any claims.

Most of the expenses after Argent closed related to building utilities along with payments to two former administrators who had worked for one year after Argent had closed supporting students' transitions to their receiving schools.

It is worth noting that I have not received any payment or compensation from Argent Preparatory Academy since June of 2017 - 5 years ago - despite having worked hundreds of hours since then. Several other vendors took significant reductions as part of the winddown process. The deposits from failed attempts to purchase the Property and settlements with vendors enabled me to continue to function to close out Argent's liabilities.

Most of Argent's Furniture Fixture and Equipment that was not part of the sale of the real property was designated as surplus state property and moved to a warehouse in Reno, Nevada managed by the Nevada Surplus Programs Division.

The student records are in the possession of the SPCSA and have been since April of 2022.

The only remaining asset is a bank account with a balance of \$2,500.

I want to take this opportunity to give a special thanks to several people whose support was indispensable thought much of this effort, including: Robert Cane, Trustee for Argent; Argent's administration, teachers and staff. Krystal Hoefling and Joanna Perry who agreed to stay on for a year after the school closed to assist with students' transitions to their receiving schools; the current SPCSA Board and staff, especially Rebecca Feiden, Mark Modrcin, Ryan Herrick; former Board members and staff

including Patrick Gavin, Don Soifer and Jason Guinasso; Greg Ott of the Nevada Attorney General's Office; and, finally, to Richard Holley and Tom Edwards of Holley, Driggs and Walch for their heavy lift throughout the Receivership.

I look forward to seeing you all on August 29, 2022.