

ARIZONA STATE BOARD FOR PRIVATE POSTSECONDARY EDUCATION
1400 W. WASHINGTON STREET, CONFERENCE ROOM B1
PHOENIX, AZ 85007

FEBRUARY 26, 2015 BOARD MEETING MINUTES

Members present: Jason Pistillo, Chair KC Miller, Vice Chair
 Trish Leonard Dr. Hank Radda
 Glen Tharp David Walser

Also present: Teri Stanfill, Executive Director
 Keith Blanchard, Deputy Director
 KD, Manager Licensing
 Frankie Eckberg, Assistant Attorney General

I. CALL TO ORDER – 10:00 a.m.

Chairman Pistillo called the meeting of the Arizona State Board for Private Postsecondary Education to order at 10:00 a.m.

II. BOARD MEETING MINUTES:

A. January 22, 2015 Regular Meeting Minutes: Ms. Miller made the motion to approve the January 22, 2015 Regular Meeting Minutes as submitted. Mr. Tharp seconded the motion and the motion passed.

B. January 22, 2015 Executive Session Minutes: Mr. Walser made a motion to approve the January 22, 2015 Executive Session Minutes as submitted. Ms. Miller seconded the motion and the motion passed.

III. LICENSING:

A. Supplemental License Applications for a Change of Ownership/Control

1. Arizona School of Acupuncture and Oriental Medicine (ASAOM). Represented by Jon and Stephanie Hu, new owners and Alex Holland, Interim President.

Ms. Stanfill summarized the Report for the Board. Ms. Stanfill also stated that the Change of Ownership and the November 2014 site visit report regarding prior deficiencies identified by ACAOM is under consideration and that Mr. and Mrs. Hu purchased HAN University in 2013 and both institutions are now in the same location. Mr. Pistillo was lead.

Mr. Holland addressed the Board. Mr. Holland explained there have been two acupuncture schools in Tucson for the last 15 years. Mr. Holland established Asian Institute for Medical Studies 15 years; Asian was a strong institution but always struggled financially. Mr. Hu purchased Asian, now Han University, and the institution is stronger financially. Mr. Holland stated that ASAOM was not as strong administratively, but was stronger financially. ASAOM also participates in Title IV. Both institutions are strong administratively.

As a result, the strategy is to merge the two institutions with the other's strengths with the resulting being a stronger institution. Mr. Holland explained there have been obstacles through the entire process.

Mr. Pistillo requested an explanation regarding the accreditation issues. Mr. Holland explained that Han was granted re-accreditation in December 2014 for 7 years; the ACAOM site visit for re-accreditation was prior to the change of ownership. For ASAOM, at ACAOM's February 2015 meeting, ACAOM considered the November 2014 site visit for ASAOM to determine if the prior 7 areas of non-compliance had been addressed. They are awaiting ACAOM's determination.

Mr. Pistillo requested an explanation regarding Title IV participation for the two schools. Mr. Holland explained that Han applied for Title IV participation, had been approved, but was required to post an \$180,000 Letter of Credit; which Han was unable to do. ASAOM is a Title IV institution.

A lengthy discussion ensued regarding Title IV administration and issues with the two institutions.

Mr. Pistillo stated his review of a change of ownership includes the financial stability of the new owners, administrative capability and status of accreditation. Mr. Pistillo stated his primary concern for ASAOM is the need for strong expertise in Title IV administration. Mr. Holland concurred.

The ACAOM report on the site visit was discussed. Mr. Holland stated that ACAOM was not "pleased" that many of the areas of non-compliance had not been properly addressed by ASAOM. Mr. Holland stated the new administration now understands the need to comply with the standards of accreditation and that improvement is needed.

Mr. Walser requested explanation why had the two schools not merged. Mr. Holland explained that Han University is the "vehicle" for Mr. and Mrs. Hu to enter into traditional Chinese medicine and apply for the EB5 VISA. Mr. Holland explained the EB5 process, which is at least a two year process. This is primarily the reason the two institutions cannot be merged.

Motion: Mr. Pistillo made the motion to approve the Supplemental Application for a Change of Ownership on a Probationary basis and post a Surety Bond in the amount of \$56,300. In addition, the License Renewal will be reviewed by the Board to demonstrate implementation of expertise in the administration of Title IV. Mr. Walser seconded the motion and the motion carried.

2. Penn Foster College. Represented by Frank Britt, President and Connie Dempsey, Compliance, Bill Holyer, CFO, by phone

Ms. Stanfill introduced this Agenda item. Mr. Walser was lead.

Mr. Britt addressed the Board explaining the improved financial position, refinancing and debt structures of Penn Foster. Mr. Britt also explained the financial results of the new transaction in the change of ownership.

Mr. Walser stated that Mr. Britt's presentation answered many of his questions. Mr. Walser asked how many Arizona students are enrolled. Ms. Dempsey stated there are approximately 22,000 college students. Mr. Walser requested the number of AZ students be determined.

Mr. Walser requested further clarification on the funds and the capital contributed. Mr. Britt provided further explanation.

Ms. Miller asked how do students finance their tuition since Penn Foster does not participate in Title IV. Mr. Britt explained they have self-paced learning and allows the student to pay monthly instead of borrowing; they work with the student based upon the length of the course in which they are enrolled.

Ms. Dempsey responded to Ms. Leonard's questions regarding the refund policy, GPA/incomplete requirements and the leave of absence policy.

Discussion ensued regarding the requirement in posting a surety bond.

Motion: Mr. Walser made a motion to approve the Supplemental License Application for the Change of Ownership with the stipulation to post a Surety Bond based upon the Gross Tuition Revenue of Arizona residents. Ms. Miller seconded the motion and the motion carried. Mr. Britt agreed to the stipulation.

B. Supplemental License Application for a Change of Ownership/Control and Regular Degree-Granting License Renewals: Everest College Phoenix. Represented by Dr. Ed Johnson, ECP President, Marilyn Clute, CFO, Thomas Waite, Provost, Dan Fisher, Exec VP/General Counsel for ECMC and by phone: Elaine Raker, Compliance, Mary Ritter, Phoenix Campus President and Mary Nisbet, Dean of Academic Affairs

Ms. Stanfill updated the State Board with the following: the State Board postponed action on the Supplemental License Application for a Change of Ownership and the 2015 Regular Degree Granting License Renewals and that the January 26, 2015 Report and all prior materials were provided. In addition, a copy of the February 8, 2015 HLC Team Report for the December 2014 visit for the pending Change of Ownership and ECP's response was also provided.

The Change of Ownership of the non-Everest schools occurred on February 2, 2015. The COO will not occur until approval from HLC.

Ms. Stanfill explained that she confirmed in a phone conversation with Karen Solinski with HLC, that the Commission is requiring Everest to provide documentation that the State Board has approved the 2015 License Renewal and that HLC is not requiring the State Board's approval of the change of ownership prior to HLC's action. HLC is meeting on February 26th and February 27th.

HLC can take several different actions: approval with contingencies, defer action or deny.

Dr. Johnson addressed the State Board.

Mr. Walser was lead and noted in ECP's response to HLC several changes had been made to the structure and requested clarification.

Mr. Fisher stated that one of HLC's concern/questions was based upon a question of jurisdictional requirements and if ECP is independently governed from Zenith. Mr. Fisher explained that a new non-profit corporation will be formed solely for the purpose of owning ECP. Zenith Education Group, LLC will be formed as a non-profit LLC organized possibly in Minnesota (in HLC's jurisdiction) or Arizona.

Mr. Walser requested confirmation that this entity will have its own independent Board of Trustees; Mr. Fisher explained the proposed structure in order to meet HLC's requirements.

Mr. Walser raised the previous question of the Board if Zenith Education will accept the potential liabilities of prior Arizona students. Mr. Fisher explained if a student has a claim against the enrollment agreement or a Title IV issue, the liability/refund will be honored by Zenith. If the claim is regarding prior operations, fraud or some other legal claim outside of the student/school relationship, that claim will stay with CCI. Zenith is not assuming any CCI corporate liabilities.

Mr. Walser made a motion to go into Executive Session to get legal advice. Mr. Pistillo seconded the motion and the motion carried.

Regular meeting adjourns at 11:13 a.m.
 Executive Session begins at 11:15 a.m.
 Executive Session ends at 11:33 a.m.
 Regular Meeting resumes at 11:38 a.m.

Mr. Pistillo explained that one of the Board's concerns last month was the Board being complicit in the change of ownership transaction when there appeared to be a potential conflict of interest and disregard of due process. The Board sought legal advice. It was determined that the State Board could not let the actions of the Department in the transaction affect the determination of the State Board.

Ms. Leonard requested clarification on the Zenith Graduation Scholarship. Mr. Fisher explained the scholarship processes. Ms. Miller expressed her concern with the term "discount", Mr. Fisher stated it is referred to as a reduction.

Mr. Pistillo expressed his concern with the ambitious projections and other potential complications going from for profit to a non-profit conversion, specifically the 90/10 rule. Mr. Fisher responded that it is not a "non-profit conversion" but a "non-profit transaction", therefore, not affecting the 90/10 rule.

Ms. Pistillo reiterated his many concerns, to include the HLC Site Visit Report, which was not a good report.

Motion: Mr. Walser made the motion to approve the Supplemental License Application and the 2015 License Renewals with the following stipulations: 1) Continue to submit to quarterly financial reporting and 2) post a Surety Bond based upon the gross tuition revenue of Arizona student enrollment, the amount to be determined by Staff. Dr. Radda seconded the motion.

Discussion – Mr. Pistillo requested that the motion be amended to include that ECP continue outcome reporting and to submit the 90-day Report to HLC. Mr. Walser and Dr. Radda agreed to the amended motion. The motion carried.

Mr. Pistillo asked Mr. Fisher if they agree to the stated stipulations. Mr. Fisher responded yes, pending calculation of the surety bond requirement.

Note: Moved to Agenda Item E.

E. Conditional Degree-Granting License Application: Cummings Graduate Institute for Behavioral Health. Represented by Dr. Janet Cummings, Owner; Dr. Nicholas Cummings, Dr. John Caccavale, Dr. Susan Taylor, Dr. Cara English, Dylan Bruson

Ms. Stanfill briefly introduced this Agenda item. Dr. Radda was lead.

Dr. Cummings addressed the State Board and explained the previous success of the DBH program and it is Cumming's intent to continue its success as a new stand-alone program.

Dr. Radda had several questions on the length of the classes, the online delivery method and the related financial model in delivering the program. Dr. Cummings and Dr. English responded to explain the planned operation.

There was considerable and lengthy discussion regarding the financial model, business plan and administration/operations of the planned institution.

After considerable discussion, several Board members expressed their concern with the current administrative capability, financial planning and the financial resources.

Ms. Leonard note several revisions required in the Catalog.

Motion: Dr. Radda made the motion to approve the Conditional Degree-Granting License Application with the following stipulations:

1. Maintain the \$100,000 Surety Bond;
2. Submit to Quarterly Reporting;
3. Revisions to the Catalog (delete references to ASU program graduate; remove references to Title IV and Morgan Stanley as a lender).

Mr. Pistillo seconded the motion and the motion carried. Dr. Cummings agreed to the stipulations.

11:35 Dr. Radda left.

C. Supplemental License Application for a Change of Ownership and Regular Degree-Granting License Renewal: Unmanned Vehicle University. Represented by Mark Wilkins and Kevin Kelly, new owners, John Minor, Provost and Dr. O

Ms. Stanfill briefly introduced this Agenda item. Ms. Stanfill explained by Dr. Jerry LeMieux, the previous owner of the Unmanned Vehicle University (UVU), suddenly passed away on July 4, 2014. After Dr. LeMieux's passing, UVU was under the management of Dr. LeMieux's Trust through his attorney. On December 2, 2014, Mr. Wilkins and Mr. Kelly purchased UVU.

Mr. Miner addressed the Board. Mr. Miner stated that due to the change in ownership, the timeline for accreditation with DEAC will have to start over. Mr. Miner did state that DEAC will accept a petition from UVU that the process continue because many of the staff are still employed and providing continuity of UVU. UVU will submit the petition in May 2015. Mr. Miner also stated that UVU had just received approval from the VA prior to Dr. LeMieux's passing, but due to Dr. LeMieux's passing, has been temporarily suspended.

Mr. Pistillo was lead. Mr. Pistillo stated the primary areas of review with a change of ownership is administrative capability, financial stability of the new owners and status of accreditation.

Mr. Pistillo requested Mr. Miner to clarify administrative capacity. Mr. Miner responded.

Ms. Leonard raised her question regarding the refund policy and leave of absence policies. Ms. Leonard suggested minor revisions.

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Mr. Kelly addressed the Board and explained their goals and the new opportunities for UVU.

Motion: Mr. Pistillo made the motion to approve the 2015 Provisional Degree-Granting License Renewal and the Supplemental License Application for a Change of Ownership with the following stipulations: 1) Increase the Surety Bond to \$79,000 and 2) continue quarterly financial reporting. Mr. Walser seconded the motion and the motion carried. Mr. Kelly agreed to the stipulations.

D. Conditional Vocational Program License Application: ThermalStar Training Center. Represented by Geary Morris and Jerry Lawrence.

Ms. Stanfill introduced this Agenda item. Mr. Tharp was lead.

Mr. Tharp requested clarification of the previous training of ThermalStar. Mr. Lawrence explained that ThermalStar has been providing training the last five years through a partnership with Mesa Community College and OIC. Mr. Lawrence explained that ThermalStar is an approved BPI testing provider.

Mr. Tharp asked why seek licensure. Mr. Lawrence explained ThermalStar determined to seek their own license because of logistical and cost issues with the previous partnerships.

Mr. Tharp raised the question regarding the multiple physical locations. Mr. Morris responded that some of the classes are taught at various locations, rural locations and the Mesa facility.

Mr. Tharp expressed his concern with the grievance procedure and that the policy needs to be revised to include appropriate timeframes.

Mr. Tharp noted several revisions were required in the Catalog.

Ms. Miller noted references to “grant funding” must be removed.

Motion: Mr. Tharp made the motion to approve the Conditional Vocational Program License Application with the following stipulations:

1. Maintain the \$15,000 Surety Bond;
2. The following revision to the Catalog:
 - a. Remove all references to “grant funding”, the terms “free” and “guaranteed”
 - b. Revise admission requirements (HSD/GED or appropriate test, term Ability-to-benefit is not to be used)
 - c. The following policies require revisions/clarification: refund policy, proper attire, Leave of Absence/Maximum timeframe, attendance requirements, make-up policy, dismissal and re-enrollment.

Ms. Miller seconded the motion and the motion carried. Mr. Morris agreed to the stipulations.

IV. Call to the Public – no one came forward

V. Board Business:

A. Ms. Stanfill stated that Mr. Craig Jacob has been appointed to the Board representing an institution offering associate programs. Unfortunately, Mr. Jacob was out of town today. Mr.

Jacob is Senior Operations Manager for Carrington Colleges. Ms. Stanfill gave a brief update on the status of the Anthem student records problems.

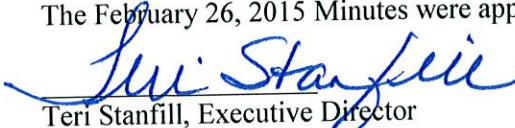
B. Ms. Stanfill gave an update on the AZ-SARA Council and its formation. Ms. Stanfill reported that the private institutions will be required to post a \$500,000 surety bond under SARA. The Board discussed at length their concerns with the bonding requirement. Ms. Eckberg expressed her concern that the bonding requirement is not based upon a calculation and has been arbitrarily determined. It was determined the Board members who are SARA members will express their serious concerns. The Board requested Ms. Stanfill to also share the Board's concerns with the working team.

C. Rules: Discussion and action was deferred until the April meeting. Mr. Pistillo requested Board members provide comments in advance and directed Staff to place Rules at the beginning of the April Agenda.

VII. Adjournment

The meeting adjourned at 1:52 p.m.

The February 26, 2015 Minutes were approved at the April 23, 2015 Board meeting.


Teri Stanfill, Executive Director