

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

MAY 22, 2014 BOARD MEETING MINUTES

Members Present: Jason Pistillo, Chairman KC Miller, Vice Chair
Dr. Gary Damore Trish Leonard
Glen Tharp, by phone with times noted
David Walser

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

I. CALL TO ORDER

Chairman Pistillo called the meeting to order at 10:00 a.m.

- II. APRIL 21, 2014 BOARD MEETING MINUTES: Mr. Walser noted a required revision to the statement on page 1, second to the last paragraph clarifying the transfer of credits. Ms. Miller seconded the motion to approve the Minutes as amended and the motion carried.
- III. ANTHEM COLLEGE-BRYMAN SCHOOL: Discussion and Possible action re: Unreported Change of Location and Change of Directors, Relocation of Anthem College Online, Change in CEO, Change in Licensure by the Florida Commission for Independent Education.
Represented by Kevin LaMountain, West Region President, Tatsiana Tuchinsky, VP Corporate Compliance and William Clohan, Consultant

Ms. Stanfill read her report:

In April 2014, the State Board received notice that Anthem College Online campus had been "relocated" to Florida; letter dated March 28, 2014. The letter was not clear regarding the relocation and if there were still remaining operations in Arizona. I attempted to contact Mr. Hendrickson for clarification.

On April 15, 2014, Mr. Hendrickson sent me an email explaining the operations. I still did not fully understand the current operations regarding the online operations and attempted to contact Mr. Van Zwol. I was told Mr. Van Zwol was no longer at the 1515 Indian School campus. At that time, I sent Mr. LaMountain and Mr. Van Zwol an email requesting they contact me immediately. Mr. LaMountain called and at that time I learned of the change of directors and the unreported change of location (The Change of Location was completed on April 8, 2014 and the application was received on April 25, 2014) for the Peoria campus to 9215 N. Black Canyon.

Online campus: Tatsiana Tuchinsky, VP of Regulatory and Legal Affairs, explained the online operations in her email dated April 24, 2014. If I understand correctly, the online operations in Florida are purely a result of the relocation of the server and administrative support and that the 1515 E. Indian School location serves as the main online administrative campus (as opposed to the previous location 16404 N. Black Canyon). The other change for the online operations, is "going forward", online students will be enrolled in the campus that is closest to their state of residency, as opposed to enrolling in the 1515 E. Indian School campus. But, all student records are at the 1515 E. Indian School campus. My concern/question is, was the 16404 Black Canyon Online campus simply moved to 1515 E. Indian School, licensure should be maintained, not close out the Online campus, and the relocation was simply adding online operations to a currently licensed Florida campus?

Later in April, I also learned of the resignation of CEO David Knobel, payroll had not been met, and licensure in Florida had been changed to "Provisional" due to concerns with "substantive changes to the administrative and financial structures" of the Florida campuses and failure to notify the Florida Commission.

Because payroll had not been met, I requested financial statements. I then found out that many of the schools are on financial reporting with ACICS. The copies of the quarterly reports submitted to ACICS are also included. I have also requested full Financial Statements for the parent company, which should be available on Friday, May 16th and will be sent to you via email.

Based upon the above, Staff is referring the matter to the Board for discussion and possible action.

Mr. LaMountain addressed the Board. Mr. LaMountain stated that although administrative changes had occurred, the students continue to receive all services. Ms. LaMountain acknowledges the lack of communication and explains the changes that have occurred. Mr. LaMountain stated that Mr. William Clohan has been employed as an expert consultant to address and correct the problems.

Mr. Clohan addressed the Board. Mr. Clohan stated that he, Ms. Zutes and Dr. Morley will provide services to improve the operations in student aid, academics, IT and cash flow. Mr. Clohan explained the infusion of cash from Palm Ventures will help with the cash flow that was "in crisis". Mr. Clohan explained his and Palm Ventures role in detail. It is their intent to serve in a long term role to ensure the appropriate changes have been made.

Mr. Pistillo and Mr. Walser both expressed their serious concerns with the role of the Board of Directors has with the CEO, CFO and management to allow these problems.

Mr. Walser asked Mr. Clohan to explain the investment of the \$15 million cash infusion. Mr. Clohan explained that \$3.5 was from Palm Ventures and remaining cash from the existing ownership in exchange for debt.

10:35 Mr. Tharp leaves the meeting.

Ms. Tuchinsky explained that the quarterly reporting with ACICS was a result of the change of ownership, not financial concerns.

Ms. Tuchinsky also stated that ACICS and the Department have (even before the change of ownership) considered the Anthem College Online (by OPE ID and ACICS code) to be at the 1515 Indian School location, and the 16404 Black Canyon address was only considered as an additional administrative offices for the Online school. Ms. Stanfill stated it was staff's understanding that the Online campus was located at the 16404 location and accordingly a License was issued. Because staff did not understand the Department's and ACICS's position on the location of the Online campus, this lead to the confusion and concern with the notification of the "relocation" of the online campus.

Mr. LaMountain clarified that only the servers were moved from the 16404 location to Florida and that the 1515 Indian School campus is also the location of the Online campus per ACICS and the Department.

Ms. Pistillo asked if the online programs were the same as the 1515 Indian School programs. Ms. Stanfill and Ms. Tuchinsky agreed to research these questions and correct the database to correctly reflect all programs and locations.

Mr. Pistillo asked Mr. Clohan to describe the IT system. Mr. Clohan provided an extensive explanation that primarily the Financial Aid System did not "communicate" with the Financial System and was inadequate to handle the number of students after the change of ownership.

Mr. Clohan stated that Ms. Zutes and Dr. Morely are conducting reviews/reconciliation of all student financial aid files and expect to have a two year reconciliation completed by June 30th.

The Board and Mr. Clohan discussed the composite score (1.1 or 1.2), the meeting with the lenders regarding the restructure and the funding of a Letter of Credit that may be required by the Department.

Mr. Clohan explained the search for a new CEO and the restructuring within the Board of Directors.

In response to Ms. Leonard's question regarding communications with the Department, Mr. Clohan stated he has contacted the Department regarding the departure of Mr. Knobel.

The Board members began deliberations in the appropriate actions to be taken.

Motion: Ms. Miller made a motion to issue a Letter of Concern citing lack of management capability, lack of timely reporting and lack of financial responsibility. Mr. Walser asked if quarterly reporting could be included. Mr. Tellier stated that would be a separate motion. Mr. Walser seconded the motion.

Discussion: Mr. Pistillo requested the Board to consider if probation would be appropriate, based upon the history of problems experienced by Anthem. The Board members acknowledged the plan that Mr. Clohan had laid out, but were concerned regarding the implementation, which will take time. Mr. Clohan responded it is his intent to remain involved

to ensure the plans are carried out, either as a new member of the Board of Directors or remain as a consultant. Ms. Leonard requested clarification if probation is what is necessary in order for the Board to ensure that the plan is executed and to receive the reports necessary for verification; if adding "Probation" would add another negative. Mr. Tellier provided advice regarding the action available to receive and monitor if the plan is being carried out.

Mr. Clohan requests to address the Board. Mr. Clohan suggested that in addition to the Letter of Concern and quarterly reporting, that Anthem appear before the Board and provide an update in all of the changes that had been made.

Dr. Damore stated that would be helpful as the Board is faced with a lack of confidence at this time in communication and updates. In addition, Dr. Damore referenced a letter from Dean Bartness that "safeguards have been put in place" to ensure in the future the timely reporting/communication and that it was important that the Board understand what those safeguards are.

Amended Motion: Ms. Miller modified the motion that a Letter of Concern is issued regarding the lack of administrative/management capability, lack of timely reporting and communication and financial instability and require a copy of the plan of action and a progress report in six month. Mr. Walser seconded the amended motion. Discussion ensue regarding the next date for Anthem to appear before the board. Ms. Miller amended the motion to include that Anthem provide a progress report and appear before the Board at the October 23, 2014 board meeting. Mr. Walser seconded the amended motion and the motion carried.

Motion: Ms. Miller made a motion to require Anthem to submit to quarterly reporting. Mr. Pistillo seconded the motion and the motion carried.

IV. LICENSING:

A. Conditional to Regular Vocational Program License Renewals:

1. Arizona Sunset School of Dental Assisting

Ms. Stanfill introduced this Agenda Item.

Dr. Damore was lead. Dr. Damore requested an update of how the school was doing.

Dr. Osete stated the first class was held in September with 3 students; 2 graduated and 1 withdrew. Eight students were in the second class with 1 student withdrawing, 2 employed, 1 has had a job interview, 1 has a conflict with current job and 1 has lost contact. Dr. Osete said 2 students have signed up for the next class; but classes are not held until there are 4 students total.

Ms. Leonard asked if they had sufficient externships. Dr. Osete responded that the dentists that they have contacted have all agreed as well as they encourage the students to seek out their own externship. The students may also shadow the dental assistants in his dental practice.

Dr. Osete stated the program had been increased from 125 clock hours to 170. Ms. Stanfill questioned if the board had been properly notified and Dr. Osete responded they had made the changes in the Catalog during the current renewal cycle. Mr. Pistillo explained the proper administrative process needed to be followed to make changes to a program. Dr. Osete explained in detail the changes to the externship hours.

Ms. Leonard noted the following corrections:

1. Catalog - inconsistency on page 17 and 18 regarding the student's termination, 6 "consecutive" or 6 "total"? Page 18 states student is terminated after 12 class hours.
2. Catalog – makeup work. Allowed to make up, but if the student does, the student is still terminated after the 6 hours?
3. Catalog, page 19, section f: the statement "Director decides what is appropriate, decision is final" regarding reason for withdrawal is arbitrary.
4. Catalog, page 23, Class Schedule – Classes are offered "either" on Fridays....are there other days the classes are offered?
5. Enrollment Agreement, page 3, C – 6 "consecutive" – revise for consistency.
6. Enrollment Agreement, page 5, 3 – typo, s/b "requirement(s)"

Motion: Dr. Damore made the motion to approve the Conditional to Regular Vocational Program License Renewal with the stipulations that the \$15,000 Surety Bond be maintained and the noted changes be made to the Catalog and Enrollment Agreement. Ms. Miller seconded the motion and the motion carried.

2. Arizona Vocational Training Institute (AVTI). Represented by Marco Reguerin and Sandra Sheridan Reguerin

Ms. Stanfill introduced this Agenda Item.

Ms. Leonard was lead. Ms. Leonard asked for an explanation of the net loss. Mr. Reguerin explained the loss is due to start-up costs. Mr. Reguerin also stated AVTI is now approved by WIA and is working with the VA and Maximus. The next class will start in September with 3 students enrolled through WIA and 1 through Maximus. Mr. Reguerin stated financing has been difficult to secure for the student's tuition.

Mr. Pistillo requested clarification on the start-up cost of the development of books and that AVTI hired graphic designers to develop their technical graphs/course materials, with a cost of about \$3,000 per month.

Ms. Leonard noted the following corrections:

1. Enrollment Agreement, page 2: refund – delete "rounded to the nearest 10%";
2. Enrollment Agreement, page 2: administrative fee for processing the refund, revise the wording;
3. Enrollment Agreement, page 3: correct "loan" verbiage; clarify that AVTI does not have "loans";
4. Complaint policy: investigate within 3 days, clarify if business or calendar days;
5. Catalog, page 36, "Additional Financing Options" – section inconsistent with the loan verbiage in the Enrollment Agreement and should add "or seek your own" as to not limit to only 2 choices;

6. Catalog, page 38, "Student Services" – clarify licensing guidance;
7. Catalog, page 39, "Attendance" – does not address "excused absences" if allowed;
8. Catalog, page 39, "Leave of Absence" - clarify if calendar or business days;
9. Catalog, page 39, "Make-up Work" - does not address if missed lectures;
10. Catalog, page 40, "Students need to provide their own hand tools" – needs explanation of what tools will be needed;
11. Catalog, page 41, "Academic Probation" – clarify the probation "period"
12. Catalog, page 41, "Termination" – does not state whom the student can submit the appeal and the process;
13. Catalog, page 42, "Withdrawal" – the statement "...they are no longer eligible for any applicable refunds" cannot be enforced. Refunds must be provided according to the refund policy.
14. Refund Policy – must address the refunds for books.

Dr. Damore stated all changes must also be done to the Spanish version of the course materials.

Mr. Walser asked about the note on page 6 regarding pending lawsuits. If this is standard language provided by the CPA or if there are any pending law suits. Mr. Reguerin responded there are no pending law suits.

Mr. Walser expressed his concern with the current ratio and asked how the bills were going to be paid. Ms. Reguerin responded they have been paying the bills personally and will continue to do so until necessary, hopefully within the next 6 months.

Mr. Walser also suggested the start-up costs for the books and course materials may be able to be classified as an asset.

Mr. Pistillo explained if AVTI was required to submit to quarterly reporting, the financial statements must be prepared according to GAAP and the income statement must have more specific detail in the expenses.

Motion: Ms. Leonard made a motion to approve the Conditional to Regular Vocational Program License Renewal with the following stipulations:

1. The \$25,000 Surety Bond be maintained;
2. All revisions noted are required;
3. Submit to quarterly financial reporting.

Dr. Damore seconded the motion and the motion carried.

B. Regular Degree-Granting License Renewals:

1. American Indian College of the Assemblies of God (AIC). Represented by Dr. David Moore and Monica Stern, CPA

Ms. Stanfill summarized the Report to the Board and explained that AIC has been on quarterly Reporting and was placed on Probation in October 2013. The Finance Committee reviewed the renewal and financial statements and referred the renewal for the full Board's review because of the HLC probation.

Dr. Moore addressed the Board and explained his previous employment with AIC and returned as a result of the school's difficulties the last four years. Dr. Moore explained that AIC is working closely with HLC to address its concerns.

Dr. Moore stated AIC has not incurred any additional indebtedness since June 1st; \$60,000 in cash; debt is being paid down; \$71,000 is in restricted funds for financial aid obligations, \$250,000 on deposit on restricted accounts. Dr. Moore also explained that 40% of revenue is from contributions and not student generated (\$30-40,000 per month).

Ms. Stern addressed the Board and explained other changes that Dr. Moore has implemented to improve the schools operations.

Dr. Moore explains the substantial improvement in enrollment.

Mr. Walser asked for further clarification on enrollment and the break-even point. Dr. Moore explained the budget is for 92 students which does not include the students living in the residential halls; with expectations that 50 students will return in the fall and 50 new students starting in the fall.

Dr. Moore explains the difficulty in arriving at a break-even point based upon AIC's revenue is heavily from contributions. Dr. Moore stated contributions have increased dramatically and are over budget. Mr. Walser acknowledged the contribution revenue, but must still be taken into consideration in determining a break-even point.

Dr. Moore responded to Dr. Damore's question regarding the relationship with the Assemblies of God and its support of the schools.

Dr. Damore expressed his concern with the challenges facing AIC with sufficient faculty. Dr. Moore explains that there were cuts in other many areas of the budget, but increased funding for the academic services and library.

Motion: Mr. Walser made the motion to approve the 2014 Regular Degree-Granting License with the stipulation that quarterly reporting be continued. Dr. Damore seconded the motion and the motion carried. AIC is not required to attend the June Finance Committee meeting.

2. Thunderbird School of Global Management. Represented by Dr. Larry Penley, President, James Scott, Compliance, and Rick Frankie, VP of Finance

Mr. Walser recused himself.

Ms. Stanfill read the following from the Board Report:
Thunderbird School of Global Management is seeking renewal of the 2013 Regular Degree-Granting License. Due to financial concerns, Staff has referred the License Renewal to the Finance Committee for review.

Additionally, during the last year, Thunderbird was moving forward with a "strategic alliance" with Laureate Education. Thunderbird and staff had multiple conversations regarding the Joint Venture (JV) that was formed as a result of the strategic alliance.

Several of Thunderbird's alumni did not support the JV based upon the concern that the strategic alliance would be negatively impact the school's mission and objectives. Several of the alumni contacted the State Board office as well as filed formal complaints with HLC. Additionally, several members of the Board of Trustees resigned.

Staff had shared our concerns if the JV was a change of ownership and/or if the JV was a new entity requiring licensure. Concurrently, the JV was under consideration by the HLC. On February 7, 2014, HLC voted to NOT approve Thunderbird's requested Change of Control. Accordingly, the joint venture with Laureate Education has ended.

Thunderbird continues to seek a "strategic alliance partner" to assist Thunderbird to "address market changes and ultimately lead to improved competitiveness and long-term viability" as stated in Mr. Penley's May 5, 2014 letter to the State Board.

An email from James Scott, dated April 25, 2014, explains the current search for a strategic alliance partner (attached).

Accreditation: HLC since 1969. Last comprehensive review was in October 2012. The final Team recommended: "Progress report on financial follow-up due no later than October 15, 2013 indicating whether or not Thunderbird met its debt covenants during the 2012-2013 fiscal year. The report should include an analysis of operations, audited financial statement for the year ended June 30, 2013, and an approved budget/financial projection for the 2013-2014 school year. The budget/financial projection should indicate whether a waiver will be necessary for the debt covenants in place for the institution's bonds."

April 22, 2013 – HLC re-affirmed Thunderbird's accreditation with the Team's recommendation.

October 18, 2013 – Thunderbird submits the Interim Report and explains as a result of HLC's recommendation, has entered into "an important joint venture agreement, pending Higher Learning Commission approval." The entire report is in the Renewal folder.

February 27, 2014 – HLC denied the change of control request.

Fall of 2014 – Thunderbird is scheduled to host a focused evaluation in fall of 2014 on finances and strategic planning and on the assessment of student learning and program review.

Mr. Scott clarified that although HLC denied the change of control request, Thunderbird's accreditation by HLC has not changed.

Mr. Pistillo asked for an opening statement, but stated the pending joint ventures/partnerships at this time do not need to be addressed and to focus on the financial stability.

Dr. Penley stated Thunderbird has taken steps to control/reduce expenses and continues to have conversations with strategic partners. Dr. Penley offered to go into Executive Session to explain the negotiations with a strategic partner. Mr. Pistillo explained that the Board cannot go into Executive Session for this purpose.

Mr. Pistillo stated the information Thunderbird provided was very helpful in explaining the actions that have been taken to improve the financial stability. Dr. Penley responded and explained the land asset on the balance sheet.

Motion: Mr. Pistillo made the motion to approve the 2014 Regular Degree-Granting License with the stipulation to submit to quarterly financial reporting. Ms. Miller seconded the motion and the motion carried. Dr. Penley agreed to the stipulation.

Mr. Walser rejoined the meeting

C. Conditional Vocational Program License Application: Arizona School of Dental Assisting and Front Office, LLC. Represented by Emad Mansoor, Program Director, by phone.

Ms. Stanfill introduced this Agenda item. Ms. Stanfill explained another licensed institution has a name very similar to this applicant, except the addition of the "and Front Office, LLC". Ms. Stanfill explained this applicant is located in Gilbert and the currently licensed institution is in Glendale.

Ms. Miller was lead. Ms. Miller asked if the similar names were an issue. Mr. Mansoor stated the name is different with the addition of the "and Front Office, LLC".

Ms. Miller expressed her concern with the Catalog that it does not appear to be a finalized product.

Ms. Leonard noted the \$175.00 charges is inconsistent in the Enrollment Agreement, refund policy and the Catalog. Ms. Leonard cautioned the "case by case" wording in the Leave of Absence policy is very subjective. Ms. Leonard also stated the final catalog needs to be updated with the actual class schedules.

Ms. Miller asked if there were sufficient externships. Mr. Mansoor explained they will use their dental office and have several dentists that they will work with to provide externships. Ms. Miller noted the Externship Contract was lacking detail.

Motion: Ms. Miller made the motion that the Conditional Vocational Program License be approved with the stipulation that the \$15,000 Surety Bond be maintained. Ms. Pistillo seconded the motion and the motion carried.

VI. CALL TO THE PUBLIC – No one came forward.

VII. Board Business:

A. Executive Director's Report – Ms. Stanfill noted the number of closures.

Rules – it was determined to schedule the Rules Meeting in August.

B. SARA Update: Ms. Stanfill gave an update. Ms. Stanfill explained the working group has finalized the complaint process and the direction it has evolved into the new separate entity.

Ms. Stanfill explained the new Nevada IGA has delegated the authority to the respective entities and that perhaps the group has gone further than necessary.

Ms. Stanfill stated the working group is seeking input on the number of representatives on the proposed "Council"; stating the proposal is 3 from each sector. The Board members discussed the matter. Equal representation was discussed.

Mr. Tellier questioned the statutes' reading if it is members "of" or "representatives" by. Ms. Stanfill did not recall the actual working in the legislation.

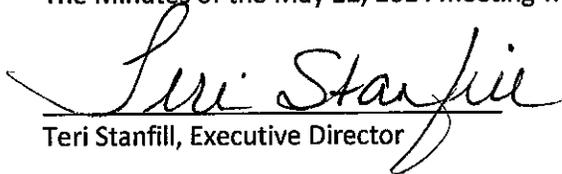
After discussion, the Board determined the representatives should be "from the Board" and would be Jason Pistillo, Dr. Hank Radda and Teri Stanfill.

C. Accelerated Performance Training. Ms. Stanfill explained the current situation with the license of "Ace" and the operator of the licensee. The Board directed Staff to pursue further investigation regarding the current operations/locations and attempt to contact the owners.

VIII. Adjournment

The meeting adjourned at 12:35 p.m.

The Minutes of the May 22, 2014 meeting were approved at the August 28, 2014 meeting.


Teri Stanfill, Executive Director