

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

AUGUST 28, 2014 BOARD MEETING MINUTES

Members Present: Jason Pistillo, Chairman KC Miller, Vice Chair
Trish Leonard Dr. Hank Radda
Glen Tharp

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. BOARD MEETING MINUTES: May 22, 2014 Regular Meeting Minutes

Ms. Miller made a motion to accept the Minutes as written. Ms. Leonard seconded the motion and the motion carried. Mr. Tharp abstained.

III. ANTHEM COLLEGE – BRYMAN SCHOOL, locations: 16404 N. Black Canyon Highway, 9215 N. Black Canyon Highway and 1515 Indian School Road: Update, Discussion and Possible Action

Representing Anthem: Kevin LA Mountain, former West Region President, Sean Harding, Interim CEO; Joe Fox, CEO with International Education Corporation (IEC)

1. Anthem Education – Bankruptcy filing as of August 25, 2014, Possible Closure and Teach-out

Mr. LA Mountain addressed the Board. Mr. La Mountain provided the following information: Anthem filed Chapter 11 bankruptcy on August 25, 2014; IEC has purchased one of the Anthem schools which has been approved by the USDE, IEC hopes to purchase the remaining two pending USDE approval; the funding mechanism ends the end of this week, students were notified of the closure of the two remaining campuses on August 29, 2014; Spring Zutes and Jamie Morley have been diligently working on putting together teach-out partners; meetings have been conducted with students and the teach-out partners and will continue to secure more teach-out partners.

Mr. Harding addressed the Board explaining the bankruptcy filing: use the cash for the closing process, payment of employees. The plan was to have IEC purchase all of the Anthem institutions, but Phase II has not yet been approved which lead to the bankruptcy filing.

Mr. Fox IEC purchased the 16404 N. Black Canyon Highway campus and has USDE approval, but has been unsuccessful in getting the USDE approval for the Phase II schools.

Mr. Pistillo asked for an explanation as to the ability of the 16404 location to teach-out students at the other two campuses. Mr. La Mountain responded that emergency approval was granted by staff to serve as a teach-out partner, but some of the programs could not be taught out (Vet Tech, Dental Assisting, Limited X-ray). Mr. La Mountain stated they have given the students the options of discontinuing as well as their options with the other teach-out partners. Mr. La Mountain also stated that IEC hopes to be able to move to the 9215 N. Black Canyon location where the dental assisting and limited x-ray programs could then be taught out pending proper approvals.

Mr. Pistillo asked about the online programs. Ms. Zutes responded and explained that teach-out agreements have been secured with American International College, Trident and a pending agreement with Kaplan. Ms. Zutes stated with these three partners, the students in all of the programs would be able to complete their program; 750 students were enrolled.

Mr. Pistillo asked for in-depth details of the teach-out. Mr. La Mountain stated that students have met with Arizona College and Carrington College; a meeting is scheduled with Pima Medical later today; reached out to Fortis College and Brookline College. The HVAC program is the one program currently operating at the 16404 location. The hope is to bring the allied health students back and begin classes on September 8th.

Mr. Tharp expressed his concern with Limited X-ray and the Vet Tech programs and that Anthem was the only program at this time. Mr. La Mountain stated they have had discussions with Arizona College in taking the Limited X-ray program and they are talking with Pima to take the Vet Tech program as Pima already offers this program (180 students in Vet Tech and 70 in PTR).

Mr. Tharp asked about the dental assisting program. Mr. La Mountain explained the 16404 location does not have the equipment available to provide this program; but Arizona College and Brookline have expressed interest to help.

Mr. Pistillo asked if the campuses are closing tomorrow, August 29th. Mr. Harding does not believe the USDE approval will come through; so the two remaining campuses will have to close and is likely.

Mr. Pistillo asked the number of faculty that will be affected. Mr. La Mountain stated there are 70 employees who continue to work as hard as they ever had. Mr. La Mountain hopes that many of the faculty can be re-hired or hired by the teach-out partners.

Ms. Stanfill explained that she and Mr. Blanchard provided information to Mr. La Mountain that he could provide the students regarding STRF and federal loan forgiveness process.

2. International Education Corporation: Supplemental License Application for a Change of Ownership: Anthem College-Bryman School, 16404 N. Black Canyon Highway

Ms. Stanfill explained the current status of the Change of Ownership and that the Board could grant an emergency approval with the understanding that the application be submitted later. They are currently waiting on approval from ACICS as well.

Per Mr. Pistillo's request, Mr. Fox explains that IEC is held by a private equity group founded several years ago. IEC is based in Irvine and the management team is comprised of individuals who have been in the private postsecondary sector for over 20 years. IEC has 14 schools prior to the Anthem acquisition. UEI College is the schools in California.

Ms. Pistillo asked about the Student Records. Ms. Stanfill explained that current student records are available electronically through the Transition Services Agreement with IEC, but the final accounting will need to be completed. The records prior to 2011, are in 6 storage units that are now under the control of the bankruptcy court and expressed her concern with the safety for the student records, dating back to 1982. Mr. La Mountain stated he would provide the information regarding the storage units as well as the keys to the units. Mr. Harding and Mr. La Mountain both agreed to ensure the student records are protected and how to proceed from here.

Mr. Harding agreed to work with bankruptcy court to ensure the safety of the student records, but assures the board the records should be safeguarded with the Chapter 11 bankruptcy.

The Board discussed the issue. Ms. Stanfill stated that STRF is allowed to pay for any student record expenses.

Mr. Pistillo asked if ACICS has indicated if any punitive action will be taken against the former Anthem. Mr. Fox stated he is not aware if ACICS intends to pursue this action, but ACICS has been very helpful in working with IEC in facilitating the change of ownership and teach-out of the students.

Motion: Ms. Miller made the motion to grant an emergency approval of the Change of Ownership of Anthem College-Bryman School to IEC with the understanding that the Change of Ownership application was submitted within 30 days. Mr. Tharp seconded the motion. Mr. Pistillo raised the question of a bonding requirement and indicated that a surety bond may be required. The motion carried.

10:51 Break

10:59 Meeting reconvenes

III. COMPLAINTS:

1. Complaint #13-S012: ITT Technical Institute. Representing ITT: Bryan Gottfredson, atty and Ms. Jeri French, Director of Nursing. The complainant was not present.

Mr. Gottfredson stated a letter was emailed to Mr. Blanchard which was forwarded to the Board. Mr. Gottfredson stated that ITT has entered into voluntary Probation with the Board of Nursing. The two faculty members in question are no longer with ITT. Mr. Gottfredson explained that the complainant has filed a civil lawsuit against ITT and requests the Board defer any action pending resolution of the civil lawsuit.

Mr. Tharp stated it appears the school has taken major steps to correct the problems but expressed his concern that at the time, there were concerns with the conduct of faculty and management capability. Mr. Tharp stated that regardless that the matters under the Board of

Nursing, several of the allegations are under this Board's jurisdiction regardless of any action taken by the Board of Nursing.

Mr. Gottfredson clarified that ITT did not admit to any wrongdoing in the Consent Agreement.

The Board members discussed the letter from Mr. Gottfredson. Mr. Tharp expresses his concern that some of the allegations under the Board's jurisdiction did have validity.

Motion: After discussion, Mr. Tharp made a motion to issue a Letter of Concern acknowledging 1) failed in providing the student with the opportunity to allow her to file written complaints and did not allow her the opportunity to complete the grievance procedure; 2) instructors may have retaliated, bullied or harassed the complainant upon her submitting complaints to the BON and this Board; 3) instructors possibly failed to maintain classroom decorum and did not have sufficient experience or training in postsecondary education. Mr. Pistillo seconded the motion. After further discussion, and noting that ITT took corrective actions, the motion carried.

2. Complaint #14-S011: ITT Technical Institute. Representing ITT: Linda Lemken, Campus President, Allen Spector, Dean of Academic Affairs and complainant, R.S.

Mr. Blanchard summarized the Investigative Report and that the Complaint Committee referred the matter to the Board for action. Mr. Blanchard also explains there is a question if the student completed the grievance procedure.

Ms. Lemken explained that R.S. did not complete the student grievance procedure and was unaware of R.S.'s concerns until he filed a complaint with the State Board. Ms. Lemken also stated the R.S.'s concern is that he withdrew and it was not properly processed. Ms. Lemken explains they were not aware that R.S. intended to withdraw and explained R.S.'s activities to indicate that he did attend the third quarter and did not intend to withdraw.

Mr. Pistillo asked if the Board can consider the complaint since the student did not complete the grievance procedure. Mr. Tellier stated it was at the Board's discretion.

Ms. Leonard explained that the Committee's concern was if the student withdrew and if the policies and procedures were properly followed by the Dean. Ms. Leonard expressed her concern how the student was properly given direction. Ms. Leonard agreed that the student had not formally expressed his concerns.

Mr. Tharp stated he agreed with Ms. Leonard's assessment as well as his concern that R.S. was a veteran and that the VA also conducted an investigation. Mr. Tharp stated that the investigation from the VA did not have any concerns.

R.S. addressed the Board and explained that he told the Complaint Committee his many concerns and reiterates that he verbally told the school of his concerns and his intent to withdraw and that the Dean did not follow through.

Mr. Pistillo asked Ms. Lemken if ITT would have resolved R.S.'s concerns if he had gone through the grievance procedure. Ms. Lemken stated yes.

Motion: Mr. Tharp made the motion to approve the Conditional Vocational Program License with the stipulation that the \$15,000 Surety Bond be maintained, submit the fire inspection report and clarify the admission requirements. Ms. Miller seconded the motion and the motion carried.

VII. CALL TO THE PUBLIC – No one came forward

2:32 Break

2:42 Meeting reconvenes

VIII. BOARD BUSINESS:

1. Executive Director's Report: Ms. Stanfill summarized the Board report.

The Board discussed the current status of Accelerated Performance Institute. The Board directed Staff to place the License Renewal on the next Board meeting agenda.

The Board also discussed the Anthem status and the promises that were made to the Board at the May 22, 2014 meeting. The potential impact of a pending closure on the Board and on the STRF was discussed and what the Board could have done differently. The Board's response to the press regarding Anthem was also discussed.

2. State Authorization Reciprocity Agreement: Ms. Stanfill updated the Board with the status of SARA and the IGA.

Motion: Ms. Miller made the motion that Ms. Stanfill is authorized to sign the IGA on behalf of the Board. Mr. Pistillo seconded the motion and the motion carried.

3. 2015/2016 Budget and Strategic Plan (year incorrect on the agenda)

Motion: Mr. Pistillo made the motion to approve the 2015/2016 Budget and Strategic Plan, but to increase the transfer from the operating to STRF as much as possible. Mr. Tharp seconded the motion and the motion carried.

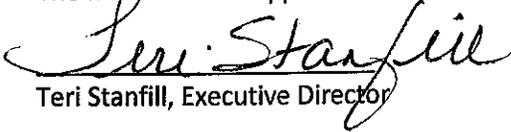
4. Personnel Matters pursuant to A.R.S. 32-431.03(A)(1)

Motion: Ms. Miller made the motion to approve the increase for Ms. Stanfill and Mr. Blanchard. Mr. Tharp seconded the motion and the motion carried.

ADJOURNMENT

The meeting adjourned at 3:19 p.m.

The Minutes were approved at the November 4, 2014 Board Meeting.


Teri Stanfill, Executive Director