

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

SEPTEMBER 16, 2014 SPECIAL TELECONFERENCE  
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  
KD, Licensing Manager

**I. CALL TO ORDER**

Chairman Pistillo called the meeting to order at 11:01 a.m.

**II. LICENSING: Supplemental License Application for a Change of Ownership: IEC purchase of Anthem College-Bryman School located at 16404 N. Black Canyon Highway, Phoenix, AZ**  
Representing the applicant: Joe Fox, Chief Executive Officer, Sandy Lockwood and Darlene Foret, Compliance with IEC and Kevin La Mountain (formerly with Anthem, now new Campus Director)

Ms. Stanfill stated from her report:

In May, the State Board was informed of the serious problems facing Florida Career College, the parent company of the three Anthem schools with locations at 1515 E. Indian School Road, 16404 N. Black Canyon Highway and 9215 N. Black Canyon Highway in Phoenix. The State Board was told that Anthem had missed payroll, David Knobel, FCC President and CEO had "resigned", and was facing serious financial difficulties. Mr. Bill Clohan, who had been hired by the FCC Board as a consultant, addressed the Board.

At the August 28, 2014, the State Board was provided an extensive update regarding the potential closure and teach-out. The Board also granted Emergency approval for the Change of Ownership. Formal approval is required for USDE no later than September 30, 2014.

Ms. Stanfill explained her report contains the chronological summary of events which also included the Minutes from the May 22, 2014 Meeting when Mr. Clohan address the Board.

Ms. Stanfill highlighted the following dates:

July 15, 25014 – Anthem employees were notified that Anthem was facing serious financial difficulty, seeking strategic alternatives, but may be forced to close the 16404 Black Canyon Campus. State Board was also notified.

ACICS communicated to the States that they had been notified that Anthem was pursuing selling or closing 27 campuses accredited by ACICS.

July 21, 2014 – The State Board was notified by Anthem of the potential sale of Anthem College and awaiting approval from the USDE.

August 8, 2014 – USDE preliminary approval of “preacquisition review of the proposed change of ownership” – this was for Phase I schools

August 11, 2014 – the State Board was notified that on August 7, 2014, IEC and Anthem signed a Purchase Agreement with the intent to purchase 14 campuses under Phase I. Phase I included the 16404 Black Canyon campus. Phase II was to purchase other FCC/Anthem schools to include the 1515 E. Indian School and 9251 N. Black Canyon locations. IEC and Anthem hoped to receive the USDE approval by August 22, 2014.

August 25, 2014 – the State Board was notified that the approval by USDE had not yet been given for the remaining schools so the campuses would have to be closed effective August 29, 2014. Hope was held out that Phase II would go thru.

August 25, 2014 – FCC, parent company of Anthem and FCC, filed Chapter 11 bankruptcy

After August 25, 2014, the communications began nationally in communications with remaining Anthem representatives, IEC and Kevin La Mountain to arrange options for the students.

Ms. Stanfill explained that IEC has been extremely helpful during this difficult situation.

IEC has submitted the Supplemental License Application for the Change of Ownership.

Mr. Fox addressed the Board.

Ms. Miller asked about the financial stability of IEC Balance sheet regarding the low current ratio.

Mr. Fox stated the following in response: IEC has been in business for 32 years and has had several changes of ownership but is now owned by private investors with a fund of \$1 billion and has cash flow positive with \$12 million in the bank and that IEC is on the “upswing” and is doing very well. Mr. Fox stated that IEC was also in a unique position to choose the FCC/Anthem schools that were profitable with the exception of the AZ location.

Mr. Pistillo noted the net loss in the financial statements.

Mr. Fox acknowledged that 2013 was a “turn around” year, 2014 is showing growth and IEC is cash positive.

Mr. Pistillo expressed his concerns that IEC was losing as much as FCC in 2013, but did notice the upswing.

Mr. Fox responded that IEC had past difficulties in growing too fast and the systems were not in place to handle the growth. IEC did not meet metrics and was placed on limited enrollment growth by two of its accreditors. IEC made significant investments to put the systems in place and the accreditors lifted the restrictions last year. IEC now has controlled enrollment.

Mr. Pistillo stated this was the same issue with FCC/Anthem.

Mr. Fox understands this concern, but stated IEC has a strong executive team with integrated systems in place that FCC/Anthem did not. Mr. Fox expressed his confidence in the systems they have in place as well as a strong experience team so that the same FCC/Anthem experience will not be repeated. Dr. Radda requested clarification on the current cash balance.

Dr. Radda asked if there were current metrics for the placement and retention rate to ensure there has been improvement.

Ms. Lockwood responded that ACCET recently reviewed the current rates that verifies the improvement and reiterates all restrictions have been removed.

Mr. Tharp asked if the name would be changed. Mr. Fox responded they are considering a name change.

Ms. Leonard expresses her concern with the previous retention/placement rate problems IEC had with ACCET. Ms. Leonard asked if IEC is prepared to handle the new growth with the purchase of the FCC/Anthem schools.

Ms. Lockwood responds and explained what had happened in the past, but she came in to put in place a Completion and Placement Officer at each campus and reports directly to corporate and each placement is confirmed by this Officer. Ms. Lockwood also stated they have had 3 independent audits, a program review and reaccreditation visits with no findings for placement. This platform will also be put in place at each of the new locations.

Mr. Fox understands the concern with the IEC growth and explained this acquisition did not have the normal due diligence due to the emergency situation. Mr. Fox stated there has been a significant number of a person in Florida to work thru this purchase and planning and expect to be fully integrated by the end of October. Mr. Fox also stated they were very impressed with the local Campus Presidents who will now have the resources available.

Ms. Leonard noted some of the policy inaccuracies in the Catalog and some inconsistencies with the Enrollment Agreement.

Mr. Fox stated that IEC has found 20 different versions of the Catalog and Enrollment Agreement and IEC will be changing all Catalogs and Enrollment Agreements to one uniform Catalog and Enrollment Agreement, with only minor variations based upon state requirements.

Ms. Miller raised the question of the Surety Bond. There was a lengthy discussion regarding the requirement for a Surety bond and the calculation for the amount required. The projections were discussed at length.

Mr. La Mountain stated there are currently 108 students, many from the two Anthem schools that closed. Mr. La Mountain also stated there has not been any recruiting and/or new student since June.

Motion: After discussion, Mr. Pistillo made the motion to approve the Supplemental License Application for a Change of Ownership with the following stipulations: post a surety bond in the amount of 10% of net tuition (trailing 12 month) as of August 31, 2014 not to exceed \$120,000 and submit to quarterly reporting. Mr. Tharp seconded the motion. Dr. Radda requested retention and placement rate reporting is an added requirement. After discussion, Mr. Pistillo amended the motion to add that the Board be provided a copy of the ACICS annual report. Mr. Tharp seconded the amended motion. The motion carried. Mr. Fox agreed to the stipulations.

It was determined that the retention and placement rates would be available at the annual renewal. It was determined that IEC would send a copy of the ACICS annual report.

The Board stated the Surety Bond must be provided by November 1, 2014.

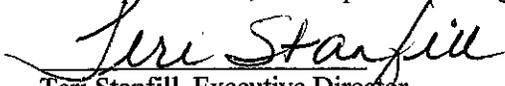
Ms. Miller thanked IEC for assisting the Anthem students. IEC thanked the Board and Staff for our support in protecting the Arizona students.

**III. Call to the Public** – no one came forward.

**IV. ADJOURNMENT**

The meeting adjourned at 12:06 p.m.

The September 16, 2014 Special Meeting Minutes were approved at the November 4, 2014 meeting.

  
Teri Stanfill, Executive Director