

May 19, 2017
United States University
Change in Ownership

Section I: Institutional Overview

A. Overview (CFRs 1.1, 1.5, 1.7, 1.8, 4.6, 4.7)

1. Overview of the Proposed Change

In a letter dated June 20, 2014, the Structural Change Committee of the WASC Senior College and University Commission (WSCUC) approved Linden, LLC (Linden) as the owner of United States University (USU). This request seeks approval for a change of ownership from Linden, LLC to Aspen Group, Inc. (AGI).

- Attachment I.A.1: Asset Purchase Agreement;
- Attachment I.A.1: Aspen Transition graphic.

AGI is the parent company of Aspen University (AU) and an SEC registrant (OTCQB: ASPU). AGI is also the parent company of Aspen Newco, Inc. (ANI), an entity that has been established for the purpose of consummating the proposed change in ownership. ANI has no assets or liabilities. ANI will acquire the operating assets and liabilities of USU. USU will be an ongoing entity and all extant agreements, operating liabilities, authorities, and approvals will not be impacted. USU will continue to operate as an independent, for-profit university with its own governing board. AG has no intent to merge USU and AU.

Both parties understand that such a change in ownership is dependent upon approval by the WSCUC. Throughout the discussions, both parties kept USU administrative leadership aware of the negotiations and the proposed outcome. In the spirit of complete transparency, Mr. Michael Mathews, Chief Executive Officer and Director of AU and AGI, and colleagues from AU, including the Chief Academic Officer, Chief Financial Officer, and Chief Operating Officer, addressed and met with core faculty and staff on March 15 to make personal introductions, to confirm that negotiations for the purchase of USU were underway and that the mission, vision, and values of the university were to be perpetuated and

reinforced. Of equal importance, Mr. Mathews cited the USU core value of “affordability,” stating that USU would become a national role model when, as with the case of AU, it offered students the opportunity to earn a university degree with little to no debt to be satisfied upon graduation. He referred on a number of occasions during the course of his presentation to his book profiling the financial challenges faced by students, *Let’s Change Higher Education Forever: A Debt-Free Solution for A System Gone Wrong*. Academic excellence and institutional growth were the two primary foci of the session.

- Attachment I.A.1: Let’s Change Higher Education Forever;
- Attachment I.A.1: Michael Mathews Resume 2017;
- Attachment I.A.1: March 15 Aspen Meeting Agenda;
- USU Mission, Vision, and Values on p.10 of [United States University General Catalog](#).

When the principals agreed in substance to initiate the process to change ownership from Linden to AGI, the Chair of the Board, Ms. Patricia Potter, and the ALO and President of USU, Dr. Steven Stargardter, were notified immediately. They and the CEO of Linden, Dr. Oksana Malysheva, immediately notified the WSCUC staff liaison, Dr. Barbara Gross Davis, and then filed the appropriate request for substantive change.

2. Brief description of the institution including the broader institutional context in which the change will exist. Connect the anticipated substantive change with the mission, purpose, and strategic plan of the institution

Three epochs comprise the history of United States University. It began its institutional history as InterAmerican College (IAC) in National City, CA in 1997. Its initial focus was the provision of educational opportunities to working adults, Latinos, and educated immigrants to increase bilingual capacity in education and healthcare in Southern California. IAC made a transparent commitment to providing affordable educational opportunities to its target population, the perpetuation of which is central to this change in ownership proposal.

In 2009, IAC received initial accreditation from WSCUC, marking the beginning of its second stage of existence. As that time, WSCUC also approved a structural change from nonprofit to for-profit status. This change took place in 2010; the school was renamed United States University, and moved to a new facility in

Chula Vista – approximately five miles south of the National City location, in 2011.

The era of Linden ownership under CEO Dr. Oksana Malysheva began in 2014 when WSCUC approved USU’s change in ownership proposal at its June meeting. A new Strategic Plan was approved by a reconstituted Board of Trustees at its meeting in March, 2015. Goal 1, “Sustainability: USU will generate revenue sufficient to sustain and increase the quality of its educational activities, and provide adequate return on investment to ensure business continuity,” has, however, been an ongoing challenge to the institution. Specifically, Priorities 1.1, “Increase Domestic Enrollment,” 1.3, “Decrease Student Acquisition Cost,” 1.4, “Maintain Stable Long Term Growth Rate,” and 1.5, “Maintain Healthy Financial Performance,” have been designated as “not being met,” at every subsequent board meeting. Monthly Key Performance Indicators (KPIs) circulated to the board and administrators have painted the same picture.

- Attachment I.A.2: USU Strategic Plan 2015-2019;
- Attachment I.A.2: USU Strategic Planning Matrix;
- Attachment I.A.2: USU Monthly KPI Tracker – March 2017.

Dr. Malysheva has remained committed to the continuation and wellbeing of USU. A primary example of this is the 2016 campus relocation to its beautiful new facility in the heart of San Diego. Furthermore, she has been steadfast in providing her skills and expertise in the ongoing efforts to establish fiscal responsibility and sustainability while providing full support to all efforts geared toward greater academic quality and student success. Whereas the latter efforts have met with success, the former continue to be a challenge, thereby stretching her financial capacity to the limit. She has spent the last year searching for an investor committed to educational excellence with the experience, expertise, and resources to dedicate to USU. The status of this project has been fully disclosed to the Board of Trustees. The Board met with Mr. Mathews at its regularly scheduled meeting on April 26, 2017. In a resolution dated May 1, 2017, the Board of Trustees voted unanimously to support the efforts of Linden to move forward towards a final agreement with AGI. The Aspen University and Aspen Group, Inc. Board had previously so resolved on November 16, 2016.

- Attachment I.A.2: USU BOT Chair’s Calendar of Events 05-12-2017;
- Attachment I.A.2: USU BOT Minutes 04-07-2015;
- Attachment I.A.2: USU BOT Questions for President Ryan 07-28-2015;
- Attachment I.A.2: USU BOT Minutes 01-26-2016;

- Attachment I.A.2: USU BOT Minutes 04-26-2016;
- Attachment I.A.2: USU BOT Minutes 07-26-2016;
- Attachment I.A.2: Notification to USU BOT Re DeXL 10-03-2016;
- Attachment I.A.2: Excerpt from USU BOT Executive Session Minutes 01-25-2017;
- Attachment I.A.2: USU BOT Minutes 01-25-2017;
- Attachment I.A.2: USU BOT Minutes 04-26-2017;
- Attachment I.A.2: USU BOT Motion to Support Aspen Transaction 05-01-2017;
- Attachment I.A.2: Aspen BOT Minutes-Final [redacted] 11-18-2016;
- Attachment I.A.2: Aspen BOT Minutes-Final [redacted] 02-10-2017.

If approved, AGI will implement USU's strategic plan by applying the same organic enrollment strategies to USU as they have to AU. AGI will manage all internet advertising and lead generation efforts in house with no plans to purchase third party leads from internet lead generation companies. AGI operates its marketing department in a fashion similar to a highly sophisticated ad network. Examples of AGI's direct publisher relationships include LinkedIn, Web MD, and Nurse.com.

The pioneering Monthly Payment Plan (MPP) model inaugurated at AU three years ago will also be implemented at USU. In order to make an MPP affordable for adults of all income levels, AU dropped its cost per credit hour to \$150 for undergraduate programs and \$325 for master-level and Nursing programs. MSN students were able to consequently pay their tuition over 36 months (\$325 per month). Fees are added to the student's account balance and they may continue paying \$325 per month until the balance is fully paid. The MPP is offered entirely interest free, making it essentially a no-interest private student loan designed to allow the student to achieve their degree and hold no debt upon graduation.

The results have been extraordinary. When the MPP was launched in May 2014, AU had 1,694 degree-seeking students. Over the past three years, the student body has grown by 2,981 students or 176% over the three-year period to 4,675 students as of April 30, 2017. Additionally, since May 2014, over 3,000 of Aspen's students are now utilizing a monthly payment method, which now represents over 65% of the student body. These results provide compelling evidence that a materially identical student body to USU will pay for their education on a pay-as-you-go, monthly payment method as opposed to federal financial aid, given the option of so doing.

B. Institutional Accrediting History Relevant to Substantive Change (CFR 1.8)

1. Brief response to issues noted in prior substantive change reviews since the institution's last comprehensive review

Since the institution's last comprehensive visit in April, 2015, USU has submitted only one substantive change proposal – for approval to offer the long standing on-site Master of Science in Nursing, Family Nurse Practitioner Specialty via distance education. WSCUC announced final approval of the proposal on December 12, 2016. (It is worth noting that at the panel discussion at the June 2015 Commission Meeting, the Provost assured participating commission members and staff that the university would not be submitting numerous substantive change requests, instead focusing its efforts and resources on the strengthening of extant academic programs. The university has remained true to this commitment.)

Recommendations made in the 2016 Nursing Substantive Change Action Report focused on the continuing monitoring of programs with a focus on retention and graduation rates as well as student learning; attention to the adequacy of faculty, workload and online training as enrollment increases; and a reminder to include comprehensive budget information in future substantive change requests.

The referenced academic issues are in line with the recommendations of the 2015 Commission Action Letter (fuller responses to which are described in the subsequent section). These concerns have been the cornerstone of our institutional improvement. Among the steps undertaken: the implementation of direct assessment of learning outcomes in all degree programs as the central element of comprehensive learning outcomes assessment and program review; the monthly monitoring and dissemination of disaggregated graduation, persistence, and retention data; acting upon data mined from end of course surveys regarding online faculty readiness and performance and the overall student experience; the incorporation of assessment results into academic budgeting and planning; and the implementation of annual program assessment reports. Steps currently being implemented are an academic strategic planning committee, curriculum committees by college, and unit operational assessment. USU anticipates being able to share these accomplishments with the WSCUC Special Visiting Team this upcoming November.

- Attachment I.B.1: USU Program Review Manual;
- Attachment I.B.1: USU Learning Outcomes Assessment Manual (Draft).

In addition to core faculty and Faculty Senate meetings, the Academic Committee of the USU Board of Trustees meets quarterly to review progress in all academic areas. Additionally, the Board of Trustees has been kept informed of all these activities at its regular meetings.

- Attachment I.B.1: USU BOT Academic Committee Minutes 07-19-2016;
- Attachment I.B.1: USU BOT Academic Committee Minutes 01-12-2017;
- Attachment I.B.1: USU BOT Academic Committee Minutes 04-21-2017.

2. Institutional response to issues noted in prior Commission or other Committee action letters or visiting team reports that are relevant to the proposed substantive change

The areas for attention and further development noted in the Commission Action Letter of June 24, 2015 have served as the bases for USU’s activities and actions over the course of the past nearly two years. The section below outlines these recommendations and indicates how USU has responded.

1. *Assess the viability of degree programs, carefully considering opportunities for effective specialization within them, given the university’s mission and market needs (CFRs 2.1, 2.7).*

The USU Program Review Manual was revised to provide a more transparent focus on the viability of programs (referenced in Section I.B.1). The programmatic self-studies undertaken since (Master of Science in Health Science and Bachelor of Arts in Management) have used the Manual as a guide. Additionally, program lead faculty have completed MQID (Meaning, Quality, and Integrity of Degree) statements which include an explicit emphasis on the differentiation of USU programs. The university has also devoted sufficient attention to increasing that differentiation through specializations. Notable examples include the Bachelor of Science in Health Sciences adding a “Healthcare Analytics” specialization, and the Bachelor of Management adding “Business Intelligence,” “Business Analytics,” “Data Analysis,” and “Finance” specializations.

- Attachment I.B.2.1: Example of Programmatic Self-Study;
- Attachment I.B.2.1: MQID Prompt for 2016 Self-Study.

2. *Ensure the quality and rigor of academic programs, making certain that the expectations for student learning are appropriate to the degree level. Assess the students' achievement of those outcomes, clarifying what is needed to bring students from where they are at admission to where they need to be at graduation (CFRs 2.2, 2.3, 2.4, 2.6).*

Five of USU's eight programs have undergone or are undergoing specialized accreditation processes in conjunction with curriculum reviews: BRN/CCNE submissions for undergraduate and graduate nursing programs; CCTC submission for the teacher credential; and IACBE submission to establish candidacy status for BAM and MBA. The Master of Science in Health Science is in program review this year, while the Master of Arts in Education is scheduled for the next. A full scale undergraduate curriculum revision has been undertaken as well, which encompasses the Bachelor of Arts in Management, the Bachelor of Science in Health Sciences, and the General Education programs. A course by course redevelopment was initiated beginning with an analysis of CLOs (levels and alignment to PLOs) and appropriate assignments and projects for each level. Finally, the university has renewed its emphasis on the outcomes assessment process (referenced in Section I.B.1) with a review of all curriculum maps, and all CLOs, for expectations as well as assessment of student evidence at two levels (at or near graduation ("Mastery") compared to an earlier stage ("Developing")) wherever possible.

- Attachment I.B.2.2: Undergraduate Course Revision Outline example.

3. *Continue the scheduled implementation of the program review and assessment cycle (CFRs 2.7, 4.3)*

Following the 2015 team visit, the university created the position of Associate Provost of Accreditation and Curriculum. Dr. Elizabeth Archer, a senior member of the faculty, was appointed to the position and is responsible for leading, overseeing and coordinating the development, implementation, and assessment of academic programs, academic policies, and support services. Dr. Archer is a recent graduate of WSCUC's Assessment Leadership Academy. Among her many accomplishments (supplemental to those cited above): the revision of the assessment process culminating in the presentation of an Annual Institutional

Assessment Report focused on planning for cross-programmatic needs rather than simple reporting, the creation of a series of faculty trainings in assessment, creating an institutional expectation that all lead faculty are responsible for both program assessment and full participation in the newly established Assessment Task Force; and the revision and formalization of the program review process as the culminating (yet also iterative) instrument of the data-based decision-making and continual focus on program improvement established by the yearly assessment process.

- Attachment I.B.2.3: Associate Provost Position Description;
- Attachment I.B.2.3: Elizabeth Archer Curriculum Vitae.

4. Gather, analyze, interpret, and disseminate retention and graduation data all across programs and degree levels, using standard reporting methods. Use the results of the analyses to make changes in policies and practices to improve graduation rates (CFRs 1.2, 2.10)

Gathering, analyzing, and applying data in a systemic manner has been systematized at the institution since the receipt of the June, 2015 Action Letter. The monthly Key Performance Indicator (KPI) Report (referenced in Section I.A.2) compiled by the Institutional Researcher on a monthly basis provides disaggregated data on the active student population on a programmatic level. Additionally, it summarizes enrollment activity for the four week period as well as average enrolled credits on an undergraduate and graduate basis. The report provides additional pertinent information as to the session to session persistence rate as well an overview of student attrition, both by program and by cause. Retention rates (year over year) and average class sizes are contained as well. These reports, provided to the Board of Trustees on an ongoing basis, have served as points of departure for retention initiatives, renewed focus on undergraduate retention (Bachelor of Arts in Management and Bachelor of Science in Health Sciences have had the most acute retention challenges), as well as the modification of the first-year course sequence including the resequencing of the English and Mathematics General Education courses.

- Attachment I.B.2.4: Undergraduate Sequencing Comparison.

5. Continue to enhance the quality and currency of technology and expand

support services and faculty and staff training to improve online learning experiences

The Associate Provost has focused particularly on the improvement of the online learning experience at USU. Among the new tools adopted to enhance student support: the SmarterMeasure Learning Readiness Indicator to assess student preparedness for online education. The reports generated are shared with student advisors and the College Success course faculty, who incorporate the results into that course through discussion and reflection assignments.

“Brainfuse” provides 24/7 online tutorial support while “Question Point” provides 24/7 reference librarian support. The implementation of Blackboard Collaborate (now supplemented by “Zoom” accounts) introduced web-conferencing tools to facilitate student-faculty interaction. Additionally, a series of student orientations have been embedded in the Blackboard LMS.

- [SmarterMeasure Learning Readiness Indicator](#);
- [Brainfuse Tutoring](#);
- [Question Point 24/7 Reference Services](#);

Online faculty orientations have been developed in the form of Blackboard and CampusVue training videos as well as a USU Faculty Guidelines and Expectations publication that shares current faculty and staff contact information, links to the training materials, as well as an overview of pertinent policies. A Pre-Start Checklist and a Brainfuse/Collaborate overview are embedded within the instructor’s pages on the LMS. Core and adjunct faculty performance standards and evaluations that review the online classroom course experience are contained within each student end-of-course evaluation and are incorporated into adjunct and core faculty performance evaluations.

- Attachment I.B.2.5: USU Faculty Guidelines for 2017.

6. Continue to build a robust institutional research capacity and ensure its smooth integration into the organizational structure to enable data-driven decision-making (CFRs 4.1, 4.2)

The Assistant Provost for Institutional Research position was created and filled at USU in the Spring of 2015. In the two subsequent years, the institution has come to rely heavily on the Assistant Provost to facilitate and enable data-driven

decision making. Notable achievements include the development of the first annual report on institutional data with five year trends profiling enrollment, persistence, retention, as well as on-time graduation. This document has served as a centerpiece for academic planning. The three year loan default rate has been cited as both a useful recruitment tool, as well as a central data point in reporting out to state and federal governmental and quasi-governmental agencies.

- Attachment I.B.2.6: USU 2017 Annual Institutional Report.

The end of course evaluation process has been migrated from SurveyMonkey to EvaluationKit in order to automate student notification and responses. These responses have been used to modify course learning outcomes, instructor assignments, and the sequencing of information presented in coursework. Similarly, the satisfaction data collected from students has been disseminated to faculty and staff in order to drive improvement in support services. The ongoing maintenance of the “USU At A Glance” document is likewise sent to staff and faculty for use as to student population, diversity, and ongoing persistence and retention trends. The causation for attrition analysis catalyzed major curriculum shifts at the undergraduate level (see above).

- Attachment I.B.2.6: USU at a Glance 10-14-2016.

(It should be noted that the Assistant Provost for Institutional Research has resigned from USU to join a larger WSCUC accredited school. The university is in the process of engaging in an accelerated search for her successor and fully intends to have the position filled within the next few weeks.)

- 7. Establish protocols for monitoring the progress and outcomes of the strategic plan and for revising the plans’ priorities as necessary to achieve institutional goals (CFRs 4.1, 4.5, 4.6)*

The United States University Strategic Plan 2015-2019 was approved by the Board of Trustees in March, 2015. The plan has subsequently been monitored on a regular basis. An update is provided to the Board on a quarterly basis by way of a “Strategic Plan Process Tracking Metrics” presentation (referenced in Section I.A.2). This very proposal can be tracked to the fact that the priorities, objectives, and metrics attached to the strategic goal addressing “Sustainability,” have not been met.

To ensure revision of the plan's priorities if necessary, members of the USU community provided the president feedback on planning progress through a series of committee meetings organized around the three strategic goals (sustainability, quality, and accessibility) in the early months of 2016. A small number of changes were subsequently reported to and accepted by the Board at its July meeting. A university retreat was held from December 14-16, 2016, to discuss the strategic direction of the institution. A series of marketing, visioning, and transforming exercises and discussions were undertaken. Input from faculty and staff was reported to the Board at its January, 2017 meeting, and will form an important point of departure for the initiation of the next strategic planning cycle due to commence at the end of 2017.

- Attachment I.B.2.7: USU University Retreat Agenda December 2016.

8. Continue to grow enrollments in currently viable programs while improving retention and strengthening student success (CFRs 2.10, 2.14, 3.4)

The generation of student leads has been arguably the greatest challenge faced by USU since 2015. The e-lead generation contract with Sparkroom was terminated in 2016 as the result of an extremely poor conversion rate -- less than 1%. Strategic partnerships were entered into with two groups -- Mindstreams and AcademixDirect -- with similar results. A dedicated effort was initiated to enhance community outreach, and while the results have yielded significantly higher conversion rates (44.7% in March), the number of leads (47 in March, for example) has remained far too small to materially grow enrollments. Data for the end of March indicates that year-to-date actual revenue is \$163,271 below projections. (Strict expenditure containment has resulted in \$335,862 of fewer expenses than projected over the first three months of the fiscal year).

Retention rates year over year are at 47%. Session to session persistence levels from Fall II to Spring I are strong at 81%. The university is able to document improvement in retention and student success. Enrollments, however, have simply not grown.

The status of Institutional Recommendation 8 provided above goes to the very heart of the rationale for this proposal. Aspen Group, Inc. is an experienced and highly successful educational entity that will bring a unique enrollment model that

will provide immediate top-line growth to USU. The attention to and development of this vital area recommended by the 2015 WSCUC visiting team would be immediately addressed by Aspen Group, Inc. -- most significantly in the areas of education and online nursing -- the very two academic areas in which the university's enrollment struggles have been most pronounced.

9/10. Establish realistic budgets based on achievable targets for enrollment and continue to reduce the annual budget deficit, while developing plans for long-term financial sustainability (CFR 3.4)

Members of the USU community have been and are acutely aware of the need to reduce and ultimately eradicate the annual budget deficit. The fact that the deficit decreased to \$4 million in fiscal year 2016 from \$6.3 million in fiscal year 2015 can be attributed to the cost-saving measures described above. While in the past, revenue targets were aspirational as opposed to data driven, the university has taken steps to assure the systemic usage of such data, which include but are not limited to:

- ongoing attention to projection-to-actual enrollment and revenue tracking by session
- program-level tracking of year-to-year retention
- program-level tracking of session-to-session persistence
- analysis of program-level revenue and expense
- program-level calculation of average credits per student per session
- ongoing reviews of marketing strategies and lead to application to enrollment funnels
- publication and analysis of the monthly P&L Statement

Based on the data Linden began to search for an investor with the proven track record to stimulate growth to the top line (see Exhibits B, B-1, and B-2 in Attachment I.A.1: Aspen Asset Purchase Agreement).

SECTION II: DESCRIPTION OF THE CHANGE

A. Description of the Change in Mission, Ownership, or Form of Control (CFRs 1.1, 1.4—1.8)

1. Reason and Context for the Change

Since its first incarnation as InterAmerican College, United States University has struggled to distinguish itself from competing institutions. An unwavering commitment to providing educational opportunities to a diverse population of underserved learners, a focus on academic integrity and student support, and the recent campus relocation into the heart of San Diego have not resulted in an increase in the student population. In addition, the university has struggled to maintain the affordability of its educational offerings -- the average domestic student loan debt of \$31,000 dismays the entire community.

- Attachment II.A.1: USU Student Debt Load Profile.

Approval of this change of ownership proposal will finally enable the university to address its historic challenges. Aspen Group, Inc. under the leadership of Mr. Michael Mathews would contribute an expertise in internet marketing and lead generation unmatched by any institution in the country. It would also embed a unique business model within the institution: an affordable, pay-as-you-go monthly tuition model enabling student access to an educational pathway unavailable to the vast majority of their colleagues -- graduation without debt -- thereby providing USU with the truly distinguishable institutional characteristic it has sought for two decades.

- Attachment II.A.1: Aspen USU Marketing and Student Acquisition Plan to 2021.

Both the current and proposed new owners agree that this change is in the best interests of the university and its mission. The faculty and staff of USU have been informed as to the submission of this proposal (referenced in Section I.A.1), and they too believe that its approval would enable the institution to truly fulfill the mission of serving a wide and diverse array of students seeking to avail themselves of an affordable opportunity to earn a university degree.

2. Impact of the proposed change on the institution in terms of direction, focus, and planning

USU is in the process of implementing the Strategic Plan adopted by its Board of Trustees in 2015 (referenced in Section I.A.2). It will initiate a new planning cycle

in 2018. It will continue in its determination to serve a population of underserved students. Degree programs continue to focus on nursing, education, health science, and business and management. The ownership change will not alter the current direction and focus, but will contribute to growing the student population by providing documented experience, expertise, and leadership in marketing, lead generation, and overall enrollment management.

3. Impact of the change on governance and leadership

In describing his vision for USU to the institutional community and Board of Trustees, Mr. Mathews (AGI) has been transparent in his support of the governance model and the leadership group currently in place. He has demonstrated great appreciation for the faculty and staff. The major change will be a change in ownership from Linden Education to Aspen Group, Inc. No additional material changes are anticipated.

- Attachment II.A.3: USU Organizational Chart May 5, 2017.

4. Impact on relationships with external bodies including government agencies, alumni groups, and sources of philanthropic support

The impact of the ownership change on government agencies consists of the notification of the change to the Department of Education and other state and federal agencies, upon receiving approval of the change from WSCUC (see Section II.10 for additional information). USU, a for-profit institution, has at present no sources of philanthropic support, and currently has no active alumni groups engaged in philanthropic activities on behalf of the university.

5. Plans affecting faculty and staff, including both faculty compensation issues and staff compensation issues, if applicable (CFRs 3.1, 3.2, 3.4)

The change in ownership will not impact core faculty and staff in the short-term. The implementation of a pay-as-you-go monthly tuition plan is likely to impact adjunct compensation at the outset. Increasing enrollments, however, will result in adjunct compensation to be at or in excess of current levels in the very near future. With the expertise being brought to the university by Aspen Group, Inc. in marketing, lead generation, and enrollment management, the long-term impact

can be expected to be extremely positive.

6. Analysis of how the change will affect the institution's capacity to deliver quality programs in terms of the impact on academic programming, faculty qualifications, student learning outcomes at both the program and course level, and infrastructure (particularly regarding technology (CFRs 2.1, 2.2, 2.6, 3.1, 3.2, 3.4, 3.5))

The current and prospective ownership groups in addition to the Board of Trustees have expressed strong and full support for and commitment toward the mission of USU and all activities which enhance the quality of its academic programs, faculty, and assessment, including the enhancement of technological infrastructure for distance learning as well as efficient data gathering and analysis. The contract between USU and Blackboard to provide access to one of its current learning management systems (LMS) is due to expire in December of this year. USU has been reviewing alternative LMS options and as such, will be migrating some of its courses to Brightspace to enhance the student distance learning experience.

7. Implications for existing programs including off-campus, international, and distance education programs and any plans for future expansion or contraction of such programs (CFRs 2.1, 2.2, 3.4)

USU will continue to offer programs in nursing, education, health sciences, and business and management. No substantive change proposals are anticipated at this time.

8. Plans for services to support new programs (library, technology, student support), if applicable (CFRs 2.13, 3.4, 3.5)

As noted previously, the proposed change in ownership will not significantly impact existing operations at USU. Support for all activities required to maintain and enhance operations will continue.

9. Impact on institutional finances, including a detailed budget showing evidence that resources are available and committed to support the

change, covering at least three and preferably five years of income and expenses beginning with the year the proposed change takes effect. This discussions should address the impact on the change on facilities (if any) and related issues as appropriate. (CFR. 3.4)

Aspen became a publicly-traded company in March 2012 and currently owns and operates its sole subsidiary, Aspen University, Inc. Should the acquisition be completed upon approval by WSCUC and DOE, USU will become the second operating subsidiary of the public company, AGI. The two universities will be operated as two separate subsidiaries, and AGI has no intent to merge the two universities.

AGI manages all internet advertising and lead generation efforts in house at its corporate headquarters in NYC. The vertically integrated marketing function has allowed AGI to avoid purchasing third-party leads, significantly decreasing its enrollment costs. AGI has become so proficient at internet advertising in the online higher education sector that its cost of enrollment recently dropped below \$1,000. Other universities, including USU, often rely on third-party leads which drive up enrollment costs (\$4,000 - \$5,000). These universities are forced to continually increase tuition rates, in large measure, to make up for their inefficient marketing methods.

In the spring of 2014, AU introduced a Monthly Payment Plan (MPP) allowing students to pay for the entirety of their degree program (tuition and fees) over a fixed number of months. In order to make an MPP affordable for adults of all incomes, Aspen University dropped its cost per credit hour to \$150 for undergraduate programs and \$325 for master-level and Nursing programs. Therefore, for example, MSN students can now pay their \$11,700 tuition over 36-months (\$325/month). Fees are added to the student's account balance and they may continue paying \$325/month until the balance is fully paid. Aspen does not charge interest for this program, so it is essentially a no-interest private student loan designed to allow the student to achieve their degree and hold no debt upon graduation.

AG has developed a three-year cash basis income statement forecast to ensure

the anticipated growth in revenue will support the change and allow USU to continue to offer a similar level of institutional support and student service. The budget is presented on an Adjusted EBITDA basis, which is defined as earnings (or loss) from continuing operations before interest expense, amortization of prepaid stock, bad debt expense, depreciation and amortization and amortization of stock-based compensation.

Historically, USU's biggest institutional challenge has been sufficient levels of enrollment to support the costs associated with a regionally accredited university, thus requiring monthly equity infusions. Our commitment to maintain academic quality and institutional support will be supported by a vertically integrated marketing approach, internally developed information technology solutions and more efficient class sizes. These elements will help to improve top line revenue growth while making more efficient use of the expenses incurred as discussed below and shown in the attached 3 year forecast (note that the fiscal year ends at April 30 each year).

- Attachment II.A.9: USU Three Year Forecast.

Chart Redacted

Revenue growth has been forecasted in all of USU's current programs. Initially, the marketing efforts will focus on the colleges of nursing and education as these are the areas in which we have the biggest competitive advantage and untapped potential. AGI plans to implement \$325 - \$375 monthly payment plan (MPP) for USU's degree programs on a post-acquisition basis, including BSN, MSN, MAEd, and MBA among others. The MPP will be accompanied with a decrease in the overall cost of tuition. The forecast anticipates a decrease of tuition and fees for certain programs on a staggered basis. Thus the anticipated student body growth will be tempered by lower tuition rates. However, we still anticipate supportable year over year revenue growth. The revenue growth will be supported by the marketing efforts discussed below. Additionally, the forecasted year over year revenue growth of between 59% - 68% is in line with the historical year over year growth experienced by AU in the prior two years. (Note: FY19 is the first full

forecasted fiscal year after the planned change of ownership.)

USU remains committed to academic excellence. Historically small class sizes have been a challenge to the university and have unnecessarily driven up the instructional costs as a percentage of revenue. The instructional costs will increase annually, but not at the same pace of revenue as USU focuses on more optimal class sizes and more efficient course scheduling. The instructional costs will expand and eventually reach a stable state by fiscal year 2021.

Marketing costs will initially be in line with historical periods. However, as USU takes advantage of the vertically integrated marketing model, the cost of enrollment will be driven down and the dollars spent will have a more dramatic impact on top line revenue growth. It is anticipated that the monthly advertising budget will begin at \$150,000 for the initial nine months post-acquisition and will be increased to \$750,000 per month by 2021 as indicated below. Based on a conservative cost per enrollment of \$2,000 (AU cost per enrollment has averaged \$792 over the past three years), this will result in total enrollment in 2021 of 4,500 and an estimated active student body of 6,000 students.

Table Redacted

General and administrative costs will gradually expand to support the student body growth and will become a smaller percentage of revenue. Many of the non-payroll costs are fixed in nature and will not increase as the student body grows (i.e. facility rent, library database, IT solutions, etc.) USU will also take advantage of Aspen's internally developed software which will positively impact the forecasted expenditures. Payroll related costs will increase commensurate with the student body growth and the institutional capabilities to adequately serve the students and the institutional needs.

10. Description of any legal or compliance requirements regarding this change

To apply for the Change in Ownership with the Department of Education (DOE), USU is required to submit its current state approval and its current accreditation

and pre-acquisition applications approximately 45 days prior to the date the change is anticipated to take effect.

Following approval by WSCUC, USU is required to notify the DOE within 10 days of the actual change. It will then be granted Temporary Approval while the department reviews the full submission and makes its decision. At that time USU must also apply for a Change of Control with the Bureau for Private Postsecondary Education (BPPE). Additionally, the university will need to notify its specialized accreditors -- the Board of Registered Nursing (BRN), the American Association of Colleges of Nursing (CCNE), the California Commission on Teacher Credentialing (CCTC), and the International Accreditation Council for Business Education (IACBE) that the change has occurred.

When ownership is changed, appropriate changes will also be made in USU's business license.

SECTION III. REQUIRED DOCUMENTATION

A. Documentation

Please include documentation that will help the Committee understand the process by which the change was developed, such as former and proposed mission and/or objectives, summary of discussion with campus constituents (Board of Trustees, Academic Senate, students), strategic plans, financial plans, copies of Board minutes as appropriate, copies of draft legal documents regarding change of ownership, sponsorship, and/or affiliation, and copies of draft legal documents dealing with matters of facilities and other institutional property as appropriate. (CFRs 1.5, 3.7, 3.9, 3.10)

The attachments accompanying this proposal were chosen to provide the Committee with pertinent and focused detail associated with the requested change in ownership.

Section I.A.1 (conclusion of paragraph 1) provides the committee with an unedited version of the agreement which would lead to a change in ownership

along with a brief illustration of agreement, including the parties involved.

Section 1.A.1 (conclusion of paragraph 3) includes an attachment containing the book authored by Mr. Michael Mathews, CEO of Aspen University and Aspen Group, Inc., *Lets Change Higher Education Forever: A Debt Free Solution for a System Gone Wrong*, detailing the Monthly Payment Plan availability option that will enable students attending United States University to avoid the federal financial aid system and to be able to graduate debt – free. Also included at the conclusion of this section are the resume of Mr. Mathews, the agenda of the March 15, 2017 meeting between Aspen and USU personnel, and a hyperlink to the USU Catalog where the university mission, vision, and values statements can be found.

Section I.A.2 (conclusion of paragraph 3) attaches the Strategic Plan, and two appendices documenting the systemic monitoring of the Plan: the Strategic Planning Matrix and the Monthly Key Performance Indicator Tracker (for March, 2017). The Strategic Plan emphasizes “sustainability” as a primary objective, and the associated matrix and tracker indicate that the university was using real-time data to determine that the creation of a truly sustainable university was not sufficiently underway.

Section I.A.2 (conclusion of paragraph 4) provides evidence that the Board of Trustees was informed as to the ongoing financial condition of the institution while Linden Education was seeking additional investor(s), culminating in a Motion to Support the Aspen Transaction. Appendices provided: a calendar provided by the Chair of the USU Board of Trustees, Meeting Minutes from April 7, 2015, Questions posed to (then) President Ryan on July 28, 2015, Meeting Minutes from January 26, 2016, Meeting Minutes from April 26, 2016, Meeting Minutes from July 26, 2016, Notification to the USU Board regarding a potential investor (DeXL) dated October 3, 2016, an excerpt from the Executive Session of the Board of Trustees dated January, 25, 2017, Meeting Minutes from January 25, 2017, Meeting Minutes from April 26, 2017, and the USU Board Resolution to Support the proposed Aspen Transaction dated May 1, 2017.

Section I.A.2 (conclusion of paragraph 4) also provides two documents of support from the Aspen Board: one dated November 18, 2016, and the other from February 10, 2017.

Section I.B.1 (conclusion of paragraph 3) provides evidence detailing the recommendations made as part of the MSN-FNP substantive change request process and provides evidence of ongoing attention to support of student learning: the Program Review Manual and the Learning Outcomes Assessment Manual (draft).

Section I.B.2.1 (conclusion of paragraph 1) provides evidence detailing the seriousness with which the university took the institutional recommendations contained in the Action Letter dated June 24, 2015, specifically regarding the viability of degree programs: an example of a programmatic self-study and the MQID prompt used by program faculty.

Section I.B.2.2 (conclusion of paragraph 1) provides further evidence of a renewed focus on the quality and rigor of academic programs by appending an Undergraduate Course Revision Outline (example).

Section I.B.2.3 (conclusion of paragraph 1) provides detail as to the qualifications of Associate Provost, Dr. Elizabeth Archer, who has taken the lead on many of the academic improvement initiatives over the past two years. Her position description and vitae are appended to this section.

Section I.B.2.4 (conclusion of paragraph 1) provides evidence as to how the analysis of data has been used to make changes resulting in improved retention and graduation data by attaching a revised undergraduate sequencing matrix.

Section I.B.2.5 (conclusion of paragraph 1) provides evidence as to online improvements by including hyperlinks to online support software.

Section I.B.2.5 (conclusion of paragraph 2) provides evidence as to faculty training to enhance the online teaching experience by appending the USU Faculty Guidelines for 2017.

Section I.B.2.6 (conclusion of paragraph 1) documents the development of a robust institutional research capacity by attaching the 2017 USU Institutional Report. An attachment provided at the end of paragraph 2, USU at a Glance, provides additional evidence as to the ongoing use of institutional data to address retention and persistence trends.

Section I.B.2.7 (conclusion of paragraph 2) provides an example of community engagement in assessing the state of the Strategic Plan. The agenda for a university-wide retreat held in December, 2016 is attached.

Section II.A.1 (conclusion of paragraph 1) provides documentation for the reason and context of the change. The initial attachment provides a profile of what is widely considered to be an unsustainable USU student debt load. This profile has a direct bearing on why a debt free education with a monthly payment plan student option is so central to the maintenance of the core value of “affordability” at the university.

Section II.A.1 (conclusion of paragraph 2) includes Aspen’s United States University Marketing and Student Acquisition Plan from May 1, 2018 to April 30, 2021, which provides detail as to the vertically integrated marketing model to be used to grow enrollments and meet projected enrollment and financial projections.

Section II.A.3 (conclusion of paragraph 1) provides the committee with the current USU organizational chart that Aspen Group and Linden Education have been transparently supportive of.

Section II.A.9 (conclusion of paragraph 5) provides additional information as to the projected three year USU financial forecast.

As there are no planned changes in facilities or other institutional property and because this proposal does not represent a merger, no additional documents have been provided as part of the proposal.

A list of all documents submitted follows:

Section I.A.1

- Aspen Purchase Agreement
- Aspen Transition Graphic
- Mathews, Let's Change Higher Education Forever
- Mathews, Resume
- March 15, 2017 USU-Aspen Meeting Agenda

Section I.A.2

- USU Strategic Plan 2015-2019
- USU Strategic Planning Matrix
- USU Monthly Key Performance Indicator Tracker – March, 2017
- USU Board of Trustees Chair's Calendar of Events
- USU Board of Trustees Minutes – April 7, 2015
- USU Board of Trustees Questions for President Ryan – July 28, 2015
- USU Board of Trustees Minutes – January 26, 2016
- USU Board of Trustees Minutes – April 26, 2016
- USU Board of Trustees Minutes – July 26, 2016
- Notification of USU Board of Trustees Re: Potential Investor DeXL – October 3, 2016
- Excerpt of USU Board of Trustees Executive Session Minutes – January 25, 2017
- USU Board of Trustees Minutes – January 25, 2017
- USU Board of Trustees Minutes – April 26, 2017
- USU Board of Trustees Motion to Support Aspen Transactions – May 1, 2017
- Aspen Group Board of Trustees Minutes – November 18, 2016
- Aspen Group Board of Trustees Minutes – February 10, 2017

Section I.B.1

- USU Program Review Manual
- USU Learning Outcomes Assessment Manual (Draft)
- USU Board of Trustees Academic Committee Meeting Minutes – July 19, 2006
- USU Board of Trustees Academic Committee Meeting Minutes – January 12, 2017
- USU Board of Trustees Academic Committee Meeting Minutes – April 21, 2017

Section I.B.2.1

- Example of Programmatic Self-Study
- Meaning, Quality, and Integrity of Degree Prompt for 2016 Self Study

Section I.B.2.2

- Undergraduate Course Revision Outline Example

Section I.B.2.3

- Associate Provost Position Description
- Associate Provost, Dr. Elizabeth Archer, Curriculum Vitae

Section I.B.2.4

- Undergraduate Sequencing Comparison

Section I.B.2.5

- USU Faculty Guidelines for 2017

Section I.B.2.6

- USU 2017 Annual Institutional Report
- USU at a Glance – October 14, 2016

Section 1.B.2.7

- USU Retreat Agenda – December, 2016

Section II.A.1

- USU Student Debt Profile
- Aspen Group USU Marketing and Student Acquisition Plan to 2021

Section II.A.3

- USU Organizational Chart – May 5, 2017

Section II.A.9

- USU Three Year Forecast