

Structural Change Site Visit Report

Phillips Graduate Institute

Change of Ownership

December 9, 2014

Team Roster

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The team conducted its review and evaluated the institution under the 2013 Standards of Accreditation and prepared this report containing its collective evaluation for consideration and action by the institution and by the WASC Senior College and University Commission (WSCUC). Formal action is taken by the Commission and is described in a letter from the Commission to the institution. This report and the Commission letter are made available to the public by publication on the WSCUC website.

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SECTION I. Overview and Context

A. Description of the Institution and the Proposed Change

Phillips Graduate Institute is a private nonprofit graduate school in Chatsworth, California that prepares students for human service-related psychology professions. Founded in 1972 in Encino, California as the California Family Study Center under the accreditation granted through Azusa Pacific University, the institution obtained independent accreditation in 1983. In 1995, the Center changed its name to the Phillips Graduate Institute (Phillips). In August of 2011, Phillips moved from Encino to Chatsworth, California, less than ten miles from its previous location. The move to the new location resulted in Phillips severing a disadvantageous lease in Encino, significantly reducing overhead costs, and upgrading the facilities.

From its founding to 1997, Phillips offered a single degree program: a 48-unit MA in Marriage and Family Therapy (later changed to Masters in Psychology with a major in Marriage and Family Therapy). In Phillips' 1997 strategic initiatives, the school decided to expand and diversify its degree programs, and it began Masters degree programs in Organizational Behavior, School Counseling, and Art Therapy. From 1999 to 2009, the Institute added the following programs: credential in School Counseling / Pupil Personnel Services, Doctor of Psychology (PsyD) in Clinical Psychology (2000), credential in Child Welfare and Attendance (2004), PsyD in Organizational Consulting (2005) (name changed to Organizational Management and Consulting in 2010), Masters in School Psychology with credential for Pupil Personnel Services (2007), and Internship Credential for School Counseling (2007). In 2010, with the declining economy, budgetary pressures and its decision to withdraw its application for American Psychological Association accreditation, Phillips suspended admissions to the PsyD program in Clinical Psychology. In 2011, it suspended admissions to the School Psychology Masters program.

Presently, the Institute offers five academic programs: Master of Arts (MA) in Psychology, Marriage and Family Therapy; MA in Psychology, Marriage and Family Therapy / Art Therapy; MA in Psychology, School Counseling / Pupil and Personnel Services; MA in Psychology, School Psychology/ Pupil and Personnel Services; and PsyD in Organizational Management and Consulting. It also offers two post-graduate credential programs in School Counseling Pupil Personnel Services (PPS) and Child Welfare and Attendance (CWA). In addition, it maintains a Counseling Center for intern training and community mental health services, and it offers Continuing Education seminars through its Center for Applied Learning.

Phillips has a current enrollment of 220 students and a needed breakeven enrollment of 280 students. In fall 2013, Phillips initiated a discount policy that significantly improved enrollment for a single semester but was not repeated in later semesters and with the resulting reduced revenue Phillips' financial instability became even more troubling. Through the recent financial crisis and WSCUC probation, Phillips faculty and staff have remained committed to the success of the institution. Phillips has eighteen full-time faculty and approximately forty

adjunct faculty. Under the change of ownership the current plan is to retain the staff and faculty and to hire additional employees where gaps are identified.

The following is the institution's recent accreditation history, leading up to this structural change proposal. Accreditation history begins with the Commission action for the most recent Special Visits leading to being placed on probation February 2009 and the removal of probation in February 2011. The following Commission actions that most impact the change of ownership decision:

- 2/09 Commission action: 1) Receive the EER report; 2) Place the institution on Probation; 3) Schedule Special Visits to be conducted in summer 2009 and summer 2010, addressing the concerns identified in the action letter (financial sustainability, planning and management; presidential and board leadership; fair and equitable faculty policies; institutional planning and use of data; assessment of student learning and student success; understanding and promoting diversity and student success).
- 8/09 The Special Visit in 2010 has been moved from summer to fall 2010.
- 11/09 Commission action: 1) Receive the Special Visit report; 2) Reschedule the next Special Visit from summer 2010 to fall 2010. The probation continues, to be reviewed at the next Special Visit.
- 11/10 Special Visit, November 9-11, 2010; Chair – Robert Schmitt.
- 2/11 Commission action: 1) Receive the Special Visit report; 2) Remove Probation and impose a Warning for one year; and 3) Schedule a Special Visit for fall 2011 to focus on issues raised in the Commission Action Letter and fall 2010 visit team report. At the time of the fall 2011 visit the institution must demonstrate (a) financial viability; (b) revised strategic plan based on alignment of academic needs and priorities; (c) timely completion of audits and required government filings; (d) increased size of board with new qualified members and board professional development; (e) completion of the faculty policy handbook; and (f) a reliable data collection system.
- 8/11 Address change from 5445 Balboa Blvd, Encino, CA 91316 to 19900 Plummer Street, Chatsworth, CA 91311.
- 11/11 Special Visit, November 9-10, 2011; Chair: Robert Schmitt.
- 2/24/12 Commission action: 1) Receive the Special Visit report; 2) Continue on warning for a maximum of one year, at which time the Commission will decide whether to terminate accreditation or remove the sanction; 3) Require a progress report by June 1, 2012 concerning requirements that must be met for continues participation in Title IV financial aid programs; 4) Schedule a Special Visit in fall 2012 to address issues related to financial sustainability, planning and management. The

institution must demonstrate that it is in full compliance of WSCUC standards at the February 2013 Commission Meeting. The Commission also requests a meeting be set up between WSCUC staff and the institution within 90 days.

- 4/12 WSCUC staff waived requirement to submit the progress report requested by the Commission in February 2012. See memo on file dated 8/13/2012.
- 11/12 Special Visit, November 12-14, 2012; Team chair: Joseph Subbiondo. President, California Institute of Integral Studies.
- 2/22/13 Commission Action: 1) Receive the team report; 2) Remove the Warning; 3) Reaffirm accreditation; 4) Issue a Notice of Concern that further progress is warranted; 5) Schedule the comprehensive review cycle with an Offsite Review in spring 2016 and a Visit in spring 2017; and 6) Request a Special Visit in spring 2014 focusing on continued progress in the following areas: financial viability, enrollment, fundraising, board leadership and strategic planning.
- 5/16/13 Change of ownership application submitted. A substantive change review has been scheduled for August 2013.

Phillips Graduate Institute proposal is a change of ownership and control that would result in Phillips conversion from a nonprofit 501(c)(3) to for-profit Limited Liability Corporation (LLC) in the InfiLaw corporate structure. The new owner, Phillips LLC, would be a wholly owned subsidiary of Inspiras LLC which is a wholly owned subsidiary of the InfiLaw Corporation (InfiLaw), a portfolio company of Sterling Partners. InfiLaw is owned by two private equity investors, Sterling Partners and Abry Partners. The InfiLaw Corporation includes: InfiLaw Management Solutions, iLawVentures, and a consortia of three independent American Bar Association (ABA)-accredited law schools and Inspiras LLC (see Appendix A). During the immediate transition of Phillips into the consortia, the Phillips LLC will be under the Inspiras LLC which is another wholly owned subsidiary of the InfiLaw Corporation. Eventually InfiLaw Corporation and Holding companies will transition to the name Inspiras which will better represent the more diversified portfolio of graduate centers of excellence. The Inspiras LLC executive leadership team includes Rick Inatome, CEO; Doug Chait, VP; and Ted Blankenship, CFO.

InfiLaw states in the Asset Purchase Agreement and other supporting documents, as well as in the onsite interviews, that they will build on the current mission and vision of Phillips Graduate Institute to, “*provide outstanding education and training to students as well as counseling and consulting services to the community.*” The change of ownership provides Phillips with the necessary financial resources and management expertise to build on its mission and brand. InfiLaw has already infused \$750,000 into stabilizing Phillips financial situation with the additional commitment of an additional \$2 to \$3 million for improvements in Phillips technology and marketing. The proceeds from the sale of assets (approximately \$1.7M) will be held in a donor-advised fund most likely at the California Community Foundation to support student scholarships, faculty research and community service. A committee of at least three members of the current Phillips Board of Trustees will oversee the donor-advised fund.

B. Description of the Team's Review Process

The WSCUC reviewers served on the original substantive change panel teleconference, on Thursday, November 20, 2014, and unanimously decided to proceed to a site visit at the campus of Phillips Graduate Institute scheduled for Tuesday, December 9, 2014. The reviewers worked with Phillips and InfiLaw staffs in preparation for the site visit. Members reviewed the submission, along with all relevant correspondence, reports, and documents, in preparation for the visit.

Working with the Phillips president, the reviewers developed an agenda for the day-long visit designed to verify institutional preparedness for the change of ownership, as well as the educational mission alignment of the two institutions, and the preparation taking place for the change of control. The areas under review include but were not limited to: governance, strategic planning, enrollment management, financial sustainability, and student support services.

The reviewers prepared for the structural change visit according to a standard visit protocol. The institutional report and supporting documents were received in advance of the WSCUC conference call, on November 20, 2014, and the call was followed-up with a request for additional documents and prior to the site visit. Phillips provided the additional documents in a timely manner. The reviewers did extensive preparation in advance of the meeting, including analysis of the evidence made available electronically. The reviewers also examined the Phillips and InfiLaw websites, catalogs, and other documentation provided to WSCUC.

The reviewers agreed on the main issues under consideration and met the evening before the site visit for an organizational meeting. The reviewers were able to meet with all of the key parties involved in the change of ownership from both Phillips and InfiLaw in order to explore the issues identified for the visit. The day's activities on Tuesday, December 9, 2014, included meetings with the Phillips and InfiLaw Board of Trustees, presidents, academic vice presidents, staffs, faculty, and students.

The visit was hosted by Phillips and was well organized and presented a full assessment of the changes anticipated with the change of ownership as well as the current situation and issues leading up to the change of ownership. Phillips and InfiLaw leadership, staff, faculty and students grasp the importance and complexity of the change of ownership, and successfully addressed the issues of the WSCUC reviewers with an in-depth and transparent analysis, particularly those issues related to governance, strategic planning, financial sustainability, enrollment management, student support services, and faculty. The WSCUC reviewers concluded that the discussions were wide ranging, transparent, and thorough. (CFRs 1.5, 1.6, and 1.7)

SECTION II. Evaluation of the Proposed Change

The following section describes the key issues the structural change reviewers identified in their December 8, 2014, letter that were explored during the site visit to Phillips Graduate Institute campus on December 9, 2014. These include: governance, strategic planning, financial

sustainability, enrollment management and student support services. Questions addressed in each area are listed below, followed by commentary on evidence, commendations, findings and recommendations.

A. Issue: Governance (CFRs 1.1, 1.3, 1.5, 1.7, 3.4, 3.6, 3.7, 3.9, 4.6 and 4.7)

The reviewers addressed the following issues and questions with the institutions during the site visit:

- The relationship among Phillips board, InfiLaw board, and the Inspiras board and how they will work together in practice
- The Phillips Board of Trustees and InfiLaw board and senior leadership were asked about the process and their due diligence that led to the structural change decision
- The InfiLaw board and leadership was asked about the mission and fit of a psychology graduate school with three law schools
- The Phillips Board of Trustees was asked about the transition and their role in Phillips LLC board, the legacy foundation, and their advisory role
- The reviewers probed with both the Phillips and InfiLaw Presidents and the InfiLaw board a September 2014 article in *The Atlantic* critical of the InfiLaw higher education model (<http://www.theatlantic.com/features/archive/2014/08/the-law-school-scam/375069/>)

Comments

Under the proposed change of ownership, the Phillips LLC new Board of Trustees will have a majority of independent members of which one will be a retained member from the current Phillips Graduate Institute board (see Appendix B). There are four Phillips LLC Board of Trustees members who have been identified and three others under consideration including the current president of Phillips Graduate Institute and the president of the InfiLaw system with the three law schools. The Board of Trustees for each of the graduate schools functions independently within the system.

Both the current board of InfiLaw and Phillips were separately interviewed and asked to recount the due diligence undertaken leading to the structural change. According to Phillips' president, the initial discussion began when the WSCUC Commission recommended they consider a strategic partner to stabilize their financial situation. Phillips hired a consultant to help them identify potential partners that shared a similar mission and core values. During this time several potential partnerships were considered but the most promising discussion occurred with Sterling Partners. Initially, there was strong consideration given to Phillips as a separate entity within the Sterling investment portfolio, but after further consideration it was concluded that there was greater potential for success with Phillips becoming part of the InfiLaw investment portfolio.

The reviewers found members of each board to be well informed, engaged, with excellent skills, appropriate background experience, passionate about the missions of their institutions, and optimistic about the potential synergies created by the proposed change of ownership. It was noted that since the challenges of WSCUC probation, search for strategic partner, and lack of financial sustainability, the Phillips board has been in crisis management and the normal

functioning of the committees has been placed on hold to deal with the immediacy of other concerns. The reviewers noted that due to the financial crisis, the Phillips board is not fully immersed in the details of the transition including the new governance structure after the change of control takes place. Each board described the due diligence and deliberations leading up to the proposed change of control and each feels confident that discussions have been open and transparent in the process. Both boards expressed optimism about the future for Phillips and the continuation of the mission under the InfiLaw corporate structure.

Prior to the site visit, the reviewers found an article published in *The Atlantic* in September 2014, unfavorable to InfiLaw (<http://www.theatlantic.com/features/archive/2014/08/the-law-school-scam/375069/>). *The Atlantic* article claimed: InfiLaw schools were under threat to losing accreditation, the InfiLaw schools have low graduation and bar pass rates, and InfiLaw graduates are saddled with above average debt. Prior to the site visit the review team examined the ABA pass rates as well as other public data for each of the InfiLaw schools and found that they were significantly different than the claims in the article.

The reviewers questioned the leadership of InfiLaw and Phillips about the article and the impact on InfiLaw. In conversations with the InfiLaw board and leadership, the reviewers noted they spoke passionately and in detail about the fallacies in *The Atlantic* article and provided the WSCUC reviewers the letter to the editor sent to *The Atlantic* and the PowerPoint presentation detailing the inaccuracies (see Appendix C and PowerPoint, *The Truth about InfiLaw*).

InfiLaw Law schools are committed to serving the underserved students who could not achieve admissions to law school based on undergraduate GPA or LSAT. InfiLaw has created an alternative admissions model that includes a rigorous multi-week experience that is a shortened version of the first-year courses. The applicants pay a small fee and complete a range of typical first-year assignments graded by InfiLaw faculty. Applicants must receive a satisfactory score before being admitted to the program. This process helps the student and faculty determine if the student has the perseverance and drive to complete the program. This alternative admissions model has been very successful. InfiLaw has committed a significant level of resources to support students to succeed and to equip them with the professional and emotional as well as academic skills to succeed in school and the legal profession.

The president of Phillips was very transparent and stated that Phillips received a copy of the article before it was released and provide this to the Board of Trustees, faculty and staff. At Phillips, the release of the article was followed by open and frank discussions with InfiLaw leadership. In all cases, Phillips personnel felt their concerns were addressed.

When the president of InfiLaw was questioned about those issues that are his biggest challenges, he stated: 1) serving those who are underserved by achieving excellent student outcomes including the successfully passing the bar, 2) support underserved students personal success by piloting research into “grit,” perseverance, emotional intelligence (EQ), and study habits, and 3) career placement. The InfiLaw board is committed to a significant partnership among the law schools and Phillips in furthering the research in these important areas of higher education. These core values and mission are central to the synergy for the future success of both institutions.

Conclusion: The Phillips LLC Board of Trustees will function independently. The new entity will retain the historic mission, core values and strategic purposes of Phillips Graduate Institute. The synergy among the three law schools and Phillips is based on their shared commitment to serving the underserved student population and their communities.

B. Issue: Strategic Planning (CFR 1.1, 3.4, 4.6, and 4.7)

The reviewers addressed the following issues and questions with the institutions during the site visit:

- The planning process and decisions leading up to the current change of ownership proposal.
- Current strategic objectives of Phillips Graduate Institute.
- Sustaining the historic mission, vision and core values through the transition.
- The perceived strategic fit and alignment of Phillips with the InfiLaw System.
- Long term vision for financial sustainability, grow existing and new programs, learning-centered environment, alumni engagement, expanded student services, and enrollment growth.

Comments

The role of strategic planning has developed slowly over the history of the Phillips Graduate Institute. With the change of ownership, strategic planning efforts appear to be embedded in the thinking and processes of the institution (CFR 4.1). Planning in prior years could best be described as crisis management. With the change of ownership, InfiLaw will bring to Phillips LLC strong strategic planning framework including strategic enrollment management, access to financial resources, upgraded technology, professional marketing, and increased strategic opportunities building markets regionally and in other InfiLaw facilities. Performance will be monitored through key performance indicators for each area of operation including student academic success.

Phillips is currently undergoing a significant transition in preparation for the change of ownership. The short term plan is to focus on expanding enrollment to utilize excess capacity in the current facility and to expand within the Southern California market. Phillips' breakeven enrollment is 280 FTE and they currently have approximately 220 FTE. Once Phillips LLC has stabilized enrollment and achieved profitability, they will consider other areas of expansion (e.g. new regions, program expansion, new student populations, additional support services, etc.). It is anticipated this initial period of stabilization will take approximately twelve to eighteen months. During this time the InfiLaw and Phillips LLC leadership will undertake a major strategic planning effort.

One of the more interesting aspects of collaboration is their mission to serve the underserved student population. InfiLaw and Phillips are passionate about learning how to better support these students in a way that equips them to be successful academically, professionally and emotionally. In many cases students in this demographic do not have life experiences or models that have equipped them with study skills, perseverance and emotional intelligence to succeed.

InfiLaw is committed to studying “grit,” a psychological construct akin to achievement motivation, as part of an assessment of prospective students’ capacity for academic success. InfiLaw leadership believes the unique combination of the graduate law schools and psychology will give them new insight to addressing this societal challenge.

Planning for the transition has involved significant collaboration and appears to be on schedule. At this time there does not appear to be significant difficulties and they have been paying particular attention to understanding the different cultures and identifying ways to maximize the synergy of Phillips LLC in the new system. All parties are committed to a systematic strategic planning process that will guide the institution through the stabilization and growth phases (CFR 4.1).

Conclusion: The president has a clear understanding of the challenges facing the institution and the criticality of a sound, achievable strategic plan. She has earned the confidence of the Phillips and InfiLaw communities, the Board of Trustees and InfiLaw executive leadership. As the institution moves forward under new ownership and with the new affiliation with the InfiLaw law schools, timely execution of a well-developed strategic agenda will be imperative for the future success of Phillips. The WSCUC reviewers recommend the careful use of evidence and purposeful action based on a shared strategic direction and action agenda to address these issues.

C. Issue: Enrollment Management (CFRs 1.7, 3.4, 4.6, 4.7)

The reviewers addressed the following issues and questions with the institutions during the site visit:

- Phillips current enrollment management personnel, processes and planning.
- InfiLaw’s strategic enrollment planning and recent marketing study by Parthenon Group.
- Enrollment stabilization plan for Phillips.
- Decisions leading up to the tuition discount decision that increased the financial distress of Phillips.
- Impact of the change of control on Phillips marketing and branding.
- Overly optimistic enrollment projections in the change of ownership proposal.

Comments

InfiLaw commissioned a thorough analysis of enrollment scenarios through The Parthenon Group that involved 18 competitor interviews (e.g., Adler, Alliant, Pacifica, Pacific Oaks, and The Chicago School), 19 interviews with industry and employer informants, 8 Phillips placement site interviews, and 219 questionnaire responses from 150 graduates, 46 current students and 23 non-matriculantes.

Conclusions from this research support the proposition that Phillips, with sufficient marketing and enrollment services support from InfiLaw investment, can increase new starts at the Chatsworth campus to a breakeven level of 280-300 students within 18 months. The competitive landscape is always changing and the employer data supports the idea that Phillips should continue to pursue its practitioner-oriented programs and recruitment methods. Labor market

analysis suggests that the demand for helping professions such as those at Phillips will continue to grow in the Southern California area.

The original proposal from Phillips included two very different enrollment projections, one of which stated a doubling of enrollment in several years while another proposed a quintupling. The InfiLaw CFO affirmed that InfiLaw and Phillips are assuming the more conservative growth projections. The lower of the two figures is prudent, given the need to develop new enrollment management systems, hire and train new enrollment professionals, and recruit students with strong potential for degree completion.

Conclusion: Enrollment and Student Support staffing at Phillips is currently quite constrained in size. Enrollment management operations that achieve necessary growth and student success will require additional investment in staff and possibly CRM support for tracking and providing timely response to inquiries. The WSCUC reviewers recommend development of a formal enrollment management plan that identifies the coordinated efforts between InfiLaw and Phillips staff, a detailed marketing plan, and an approach to retention and graduation support.

D. Issue: Financial Sustainability (CFRs 3.4, 3.6)

The reviewers addressed the following issues and questions with the institutions during the site visit:

- Financial stability and issues leading to the structural change proposal.
- Terms and conditions of the Phillips bank line of credit.
- The cash flow challenges for Phillips.
- The assumptions made in calculating the valuation of Phillips.
- The details of the expected initial investment by InfiLaw including any deferred maintenance or operations.
- Other financial considerations, including details of the collaboration among Phillips CFO and the system CFOs with InfiLaw Corporate headquarters.

Comments

Phillips Graduate Institute continues to be financially fragile but the infusion of \$750,000 by InfiLaw has stabilized Phillips and addressed the cash flow needs. Phillips is tuition dependent with significant support from county and state grants. Enrollment improved in fall 2013 with a new discount policy but Phillips was not able to sustain growth. The decline in revenue, resulting from the tuition discount policy led to a significant loss in net income, with the 2014 fiscal year ending June 30, with a loss of \$529,712. It is expected a net income loss will also occur for FY 2015 of approximately \$300,000. Revenues and expenses are approximately \$6 million per annum.

The Phillips balance sheet records few physical assets with total assets and liabilities at \$3.25 million. Phillips has a current line of credit of \$200,000 and this is down from \$700,000 a few years ago. Phillips is beginning the 4th year of a twelve year lease agreement in its current building with more than 40,000 square feet. Most significantly, Phillips' current composite score is 0.3, significantly below 1.0 composite score needed to be considered by the US Department of

Education to be financially responsible. A Letter of Credit has been posted with the Department of Education.

The InfiLaw Chief Financial Officer (CFO) was asked how a valuation of \$1.7 million for Phillips was made. He stated there were three methodologies considered: 1) cost to build, 2) discounted cash flow, and 3) market multiple from similar sales. In addition, InfiLaw has covered \$ 300,000 to 400,000 in legal fees for the transition. The proposed change of ownership will include an initial investment from InfiLaw of approximately \$ 2 to 3 million (e.g. technology improvements and services, classroom technology upgrades, staff and faculty hires, student support services, and marketing current programs).

The reviewers were concerned about the overly optimistic revenue projections provided in the WSCUC proposal. The InfiLaw CFO concurred that a conservative approach was more reasonable and was guiding decision-making. When asked if the transition was going to require an increase in costs to bring Phillips in alignment with the InfiLaw system, the CFO believes there will need to be adjustments to bring faculty and staff salaries in alignment with the market and the better benefit package Phillips LLC can get through InfiLaw may cause a slight increase in costs.

Conclusion: The panel carefully reviewed the financial data provided by Phillips and InfiLaw as well as transparent meetings with the executive leadership of both organizations. Phillips leadership has already moved to enhance operational efficiencies through cost cutting such as the move to the current facility. The visiting team concluded that the affiliation will enhance the financial stability of Phillips and provide access to improved technology infrastructure and student support services.

E. Issue: Student Support Services

The reviewers addressed the following issues and questions with the institutions during the site visit:

- What support services are currently available to students?
- Do students support the change of ownership?
- Have students been surveyed regarding the additional services they believe necessary?
- What student services will InfiLaw bring to Phillips?

Comments

Phillips recently added the position of Dean of Students to enhance student services and provide student advocacy and grievance process and policies. Phillips currently offers an Academic Resources Center for individual student academic assistance including writing support, time management skills, assignment comprehension, group study strategies, and organizational skills. In addition, Phillips also has a Counseling Center to provide students with traineeships and internship placement. Student support services will expand as enrollment grows. However, InfiLaw will enhance services after the change of ownership. For example, InfiLaw has piloted a program that matches students with academic success instructors and will consider expanding this program to Phillips LLC.

InfiLaw conducted a student survey requesting their list of priorities for student support services. The feedback received from students, which InfiLaw will initially address include a “phillips.edu” email address for students, technology enhancements (e.g. intranet, Learning Management System (LMS), and high speed internet), academic support for writing, career services, and more academic support such as academic coaches. In addition, InfiLaw is piloting a private practice incubator to assist students in setting-up their own law practice.

Conclusion: Phillips student support services will be greatly enhanced with the change of ownership. InfiLaw will bring additional resources and support staff to serve a wider range of student needs. Phillips and InfiLaw leadership have identified a wide range of student and operational services that will be provided or enhanced by InfiLaw. Phillips will have access to academic support services including, additional early detection and counseling services for students at risk, registration services, student portal, LMS, assessment management system, and other services to greatly improve the student educational experience.

SECTION III. Commendations, Recommendations, and Conclusion

A. Commendations

The reviewers commend Phillips Graduate Institute for the following:

1. The attention to thoughtful planning and communication at every level of Phillips and InfiLaw. The WSCUC reviewers were impressed by the due diligence that has gone into reviewing all aspects of the change of ownership with engaging the key stakeholders and communicating the benefits and challenges.
2. The careful attention given to the challenges of bringing Phillips into the InfiLaw system including the preliminary work addressing the differences in the culture of Phillips and the law school system. It was apparent to the WSCUC reviewers that the Phillips administration, faculty, students and staff are eagerly looking forward to the changes and have been fully engaged in the success of the change of ownership.
3. The Phillips board and leadership are to be commended for bold action in cutting costs, finding a strategic partner, and their ability to balance the need for expediency in areas of financial instability and legal necessities while taking a more deliberate pace on issues relating to long term strategy.

B. Recommendations

1. Governance. (CFRs 1.3, 1.5, 1.7, 3.4, 3.6, 3.7, 3.9, and 4.7)

The reviewers recommend that the Phillips Graduate Institute Board of Trustees stay fully engaged in the details of the transition and decisions related to the post-change of ownership governance. Both the InfiLaw and Phillips boards should continue the excellent collaboration already begun in the areas of stabilizing the finances, enrollment management, marketing, technology improvements, expansion of student services, and faculty and staff development.

Phillips and InfiLaw presented strong evidence of their transparency and ability to address WSCUC standards and concerns for all aspects of the planned change of ownership. Since beginning to work together, Phillips and InfiLaw have demonstrated a strong commitment to a successful transition that will strengthen Phillips and InfiLaw. The reviewers observed the full engagement of the governing boards, administrative leadership, student support services, faculty, and students.

2. Strategic Planning. (CFRs 3.4, 3.9, 4.6, 4.7)

It is recommended that the new Phillips LLC Board of Trustees and leadership build on the excellent strategic planning processes already begun during the transition period by working toward a Phillips LLC strategic plan and a system-wide strategic plan integrating the graduate school of psychology into the planning processes and priorities into the graduate centers of excellence. The strategic plan should intentionally address the value added and synergy that Phillips brings to the InfiLaw System in addressing the core challenges in serving the underserved student population.

3. Enrollment Management (CFRs 1.7, 3.4, 4.6, 4.7)

The WSCUC reviewers recommend the development of a formal enrollment management plan that identifies the coordinated efforts between InfiLaw and Phillips LLC staff, a detailed marketing plan, and an approach to retention and graduation support.

4. Financial Sustainability (CFRs 3.4 - 3.6)

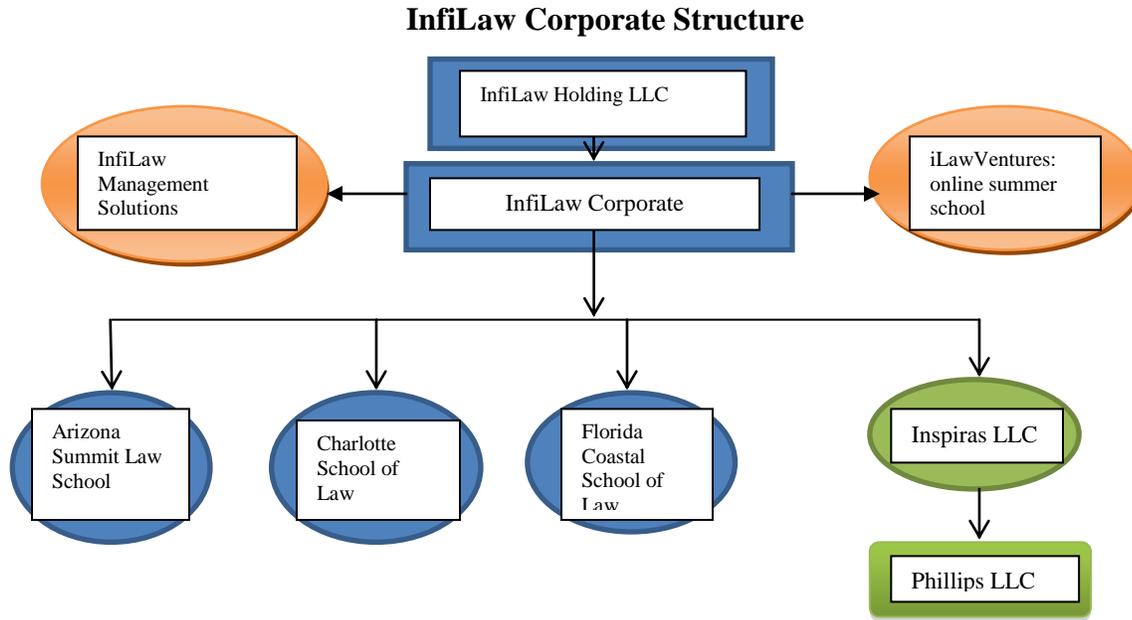
The visiting team recommends the leadership continue to monitor Phillip's financial sustainability. The affiliation will greatly enhance the financial future of Phillips, improve the infrastructure, and provide operational and administrative capacity and upgrades that are currently not feasible without the change of ownership. However, future success requires additional sources of revenue and growth in enrollment while maintaining control of operational efficiencies.

C. Conclusion

In conclusion, the WSCUC reviewers believe that Phillips Graduate Institute and InfiLaw demonstrate a commitment and resources to successfully complete and solidify the change of ownership while giving specific attention to providing students with additional opportunities and services. It is believed that the change of ownership will secure the future of the historic mission and core values of Phillips Graduate Institute. It is the recommendation of the WSCUC reviewers that the WSCUC Commission approve the Phillips Graduate Institute change of ownership.

APPENDICES

Appendix A



[InfiLaw Management Solutions](#): Accreditation Support, Bar Preparation Programs, Career Services Planning, Emotional Intelligence Workshop Facilitation, Faculty & Staff Engagement, Management Engagement, Student Acquisition Programs, Student Engagement

Appendix B

Phillips LLC Board of Trustees

Independent Members

Joseph E. Antonini is the former Chairman, President and CEO of Kmart Corporation, where he worked for over 30 years. At Kmart, Joe rose from his humble beginnings as a management trainee, at the then S.S. Kresge Company in 1964, to Chairman of the giant retail chain in 1987.

He is credited with leading Kmart into a new era by launching store renewal programs of unparalleled scope in retail history. They included expansion of the retailer's specialty store concepts, along with introduction of the Kmart Super Center, both contributors to setting new sales and profit records.

In the past, Joe has been awarded key positions that include Chairman of the national Retail Federation and the National Minority Supplier Development Council. He has also served on the Board of Directors of Polaroid Corporation, Chrysler Corporation, Shell Oil Company, Ziebart International, NBD Bank, Michigan Bell, Economic Club of Detroit, and as a Trustee for the National Italian American Foundation. He is also a recipient of the Horatio Alger Award. A native of West Virginia, Joe holds a Bachelor of Science degree from West Virginia University.

In 1992 he was recognized by the University as its most distinguished alumni. In 2011, Mr. Antonini was named to the West Virginia University Hall of Fame of Distinguished Alumni

Sally Lew (retained member) has over 35 years of management experience in nonprofit, for-profit, and primary/secondary school (public, private and institutional) settings. With 20 years' experience in private and family philanthropy, Sally designed, developed and implemented grant making programs and program initiatives in southern California (James Irvine Foundation); managed a grants portfolio focused on children, youth and families, and education for a statewide foundation (James Irvine Foundation); and supervised teams of staff and high school/college interns responsible for grantee convening logistics for a national foundation (Marguerite Casey Foundation).

Sally also serves as an independent consultant to a myriad of nonprofits and foundations (including the Y&S Nazarian Family Foundation), providing services that include strategic planning, board/staff development and training, executive coaching, meeting/retreat facilitation, conference/event planning and logistics, proposal development/grant review, prospect research as well as executive searches. A very active community volunteer, Sally currently serves on the Board of Trustees of Phillips Graduate Institute, the Board of Directors of the UCLA Alumni Association, and the Board of the YMCA of Greater Long Beach.

Sally holds a BA from UCLA, a Secondary Teaching Credential from California State University, Sacramento, and an M.B.A. from Pepperdine University.

Douglas Olsen is the Senior Pastor at Woodmen Valley Chapel in Colorado Springs, Colorado. He is responsible for the management and oversight of all operations of a 9,000 member megachurch. He is also responsible for oversight of 113 acre development of commercial and church properties and operation of a local community center for the City of Colorado Springs.

Prior to assuming his pastoral duties, Douglas served as Vice President of Corporate Initiatives and Education for Zap Me! Corporation, an internet educational corporation providing hardware, browsers and connectivity to school systems. He also worked as the Executive Director of Counsel and Capital that represented a not-for-profit investment banking firm, which offered governance consultation, organizational audits, and the development of investments prospectus' for organizations engaging in capital formation for nonprofit services.

Douglas holds a BA from the Kings College and an MA in Guidance and Counseling from Oakland University in Rochester, Michigan.

Laura Palmer Noone possesses more than 26 years of experience in for-profit higher education including serving as the Chief Academic Officer and President of University of Phoenix. She then became President and CEO of Saras Education, Inc., where she provided professional management and consultation to institutions of higher education, including enrollment and retention support, technology and distance learning capacity.

Most recently, she served as President and CEO of Potomac College in Washington DC, where she brought the college to profitability and gained approval for the college's first master's degree.

Interested Members

Rick Inatome is the President/CEO of InfiLaw. He serves as a managing director at Sterling Partners, a \$4.2 billion private equity fund specializing in education. He currently serves on the Boards of ACG, AAA Michigan, R. L. Polk & Company, and Saturn Electronics & Engineering.

Inatome was also past Chairman of Michigan Virtual University; the 13th State of Michigan state chartered university, and served on the Advisory Boards of University of Michigan Dearborn and MSU Broad School of Business. Rick has played a key role in helping to guide the state of Michigan's business and education technology infrastructure. Governor John Engler appointed him the initial chairman of the Michigan Information Network and Chairman of Michigan Technology Council. Governor Jim Blanchard appointed him to serve on the Michigan Minority Business Commission and the State Lottery Advisory Board.

He is a computer industry pioneer who co-founded two, billion-dollar technology companies, Computer City and Inacomp Computer Centers. He also took American Speedy Printing, the fourth largest printing chain, out of bankruptcy and into one of the most profitable chains in the U.S.

Doug Chait is Senior Vice President for Corporate Development at InfiLaw. He is a former vice president of corporate development of American InterContinental University, a for-profit, international system of universities specializing in technology education. During Chait's tenure, American InterContinental University Company opened four new campuses in three-year period and was sold to Career Education Corporation. Chait also served as CFO of AgentWare, travel software company located in Atlanta. Chait earned his MBA from Emory University and his undergraduate degree in political science from the University of Chicago

Yolanda J. Gorman is the President of Phillips Graduate Institute, a graduate school of professional psychology and management located in the San Fernando Valley. Yolanda recently guided Phillips through an organizational turnaround that resulted in removal of an accreditation sanction and reaffirmation of accreditation status. Prior to assuming the role of President, Yolanda served as Dean of Academic Affairs, and Chair of the Organizational Consulting doctoral program. She brings to Phillips over 25 years as an organizational consultant specializing in nonprofit management and development.

Yolanda assisted nonprofit organizations with resource development, evaluation, and information needs. She consulted on program and strategic planning, research and evaluation, board training and organizational development projects.

Through her work with nonprofit organizations, Yolanda successfully secured over \$100 million from state, federal and private sources to help her clients develop and deliver programs that respond to critical human needs. She also conducted training sessions for boards of directors of local and national organizations and foundations. Yolanda has also worked with local and national private foundations to provide technical assistance to the organizations they support.

She is a three time graduate from UCLA with a BA in Psychology, an MBA in accounting and small business management, and a Ph.D. in Educational Psychology with a minor in clinical psychology and psychiatry. An active volunteer with multiple community; civic and cultural organizations, Yolanda was recently elected to serve as an Alumni Regent of the University of California, the second time she will hold the honor. She also serves on the Board of Trustees of Woodbury University and on the Board of Managers for the University of West Los Angeles Law School.

Yolanda's other volunteer activities include serving as a member of the board of CalNonprofits Insurance Services, a for-profit insurance solution for nonprofit organizations in California; and she was recently appointed by California Governor Brown to serve on the board of the Baldwin Hills Conservancy. She is the author several articles and papers on nonprofit capacity building and small business management.

Appendix C: Letter to the Editor, *The Atlantic*

InfiLaw System
8625 Tamiami Trail, N. | Naples, FL | 34108

September 10, 2014

Dear Editor:

Mr. Campos's recent essay on legal education includes a biased critique of for-profit education and specifically InfiLaw schools. His viewpoint is significantly different from mine and others who have a background in both traditional and for-profit education. It contrasts with the experience of leaders in the legal profession, including former American Bar Association ("ABA") presidents, who actively are engaged with InfiLaw schools.

My first exposure to InfiLaw was in 2008 when I chaired the ABA accreditation inspection of Charlotte School of Law. I was Dean of a Top 10 public law school, knew nothing about for-profit education, and was skeptical whether Charlotte could provide a quality education. What I discovered was an exceptionally well-managed and well-funded institution. The faculty was focused on student outcomes, academic support was well-resourced, and the academic program equipped graduates with the skills necessary for the contemporary job market (especially small firm and public interest practice). The school was committed to innovation and providing access to persons who historically had been excluded from law school on the basis of group status.

What I saw at Charlotte resonated with what I thought good law schools should be, especially in today's rapidly changing environment. The institution's mission uniquely was "student-centered" and "practice-ready," even before those phrases became prevalent when law school applications dropped nationally. My decision to retire from a traditional deanship, to form an educational technology group within InfiLaw, is not unique. In just the past year, Jay Conison, who has chaired the ABA Accreditation Committee and served as Reporter for the ABA Task Force on the Future of Legal Education, left another deanship to become Dean at Charlotte.

By pushing for changes that the legal profession has been urging for decades, we expose ourselves to criticism from a defense of the status quo. Although Mr. Campos and I agree that legal education faces significant challenges, he stumbles by suggesting that a school's tax status is at the core of the challenge. Instead, the current issues facing legal education are multi-faceted and challenge law schools nationwide. What Mr. Campos sees as a threat --having private investors-- is in fact a source of strength. Contrary to Mr. Campos's implication that InfiLaw's investors seek short-term gain, the facts show that they are engaged long-term and understand that success depends on creating value and social utility.

Mr. Campos' claims in the end are fictions. His argument that Florida Coastal School of Law ("FCSL") is at risk of losing accreditation ignores its reaccreditation just this summer. His

contention that FCSL graduates have a minimal chance of passing the bar exam disregards their actual performance (typically at or above the state average); instead he curiously relies on second-hand bar statistics from graduates of unaccredited California law schools. (He says “it is quite unlikely that someone with an LSAT score below 145 will ever pass a bar exam.” Yet the ultimate bar passage rate for FCSL graduates with a score below 145, in fact, exceeds 70%.) He overstates the debt of FCSL graduates by more than \$30,000 and, in warning of massive defaults, fails to note that the school has one of the nation’s lowest student default rates.

Mr. Campos also omits FCSL’s achievements, which apparently do not support his agenda. For example, FCSL has narrowed student-performance gaps historically attributed to group status. He omits the fact that InfiLaw schools together enroll nearly 5% of the nation’s minority law students. FCSL is a top-rated school for moot court, experiential learning, and law and technology.

From my experience, for-profit education can advance innovation and the evolution of legal education; it can partner with traditional education to advance shared values and outcomes, contrary to what Mr. Campos claims. The fact that Mr. Campos is employed by a school supported by state tax subsidies, as compared with a school that pays taxes, may account for his personal bias.

Sincerely,

Ken Randall

Dean Emeritus
President of iLawVentures

Appendix D

The Truth about InfiLaw

September 3, 2014