MEMORANDUM

TO: Chair Terrye Seckinger, and Members, Committee on Academic Affairs and Licensing
FROM: John Lane, DMA, Director of Academic Affairs

Consideration of Request for Initial License (Change of Ownership)
STVT-AAI Education, Inc. dba Ancora Education acquisition of Miller-Motte Technical College

Summary

STVT-AAI Education, Inc. dba Ancora Education (Ancora), a Texas corporation, requests approval of an initial license to acquire and operate Miller-Motte Technical College (MMTC). MMTC is currently owned by Delta Educational Systems, Inc. dba Delta Career Education Corporation with sites in Charleston and Conway. The parties signed an asset purchase agreement on October 3, 2017, and the anticipated date of acquisition is December 13, 2017. The acquisition is contingent upon the approvals by state regulatory agencies, the accreditor of Ancora’s institutions, and the U.S. Department of Education. There are no proposed changes to programs currently licensed to be offered at MMTC. In addition, there are no proposed changes to MMTC’s facilities, student support services, resources, staff, or faculty. Students should see no material change in local campus operations. MMTC campuses will be governed by the STVT-AAI, Inc. board of directors. An organizational chart representing the proposed structure of ownership is included as Attachment 1.

Ancora currently owns four institutions: Platt College, Edge Tech Academy, Arizona Automotive Institute, and South Texas Vocational Technical Institute, with 12 campuses in Arizona, Oklahoma, and Texas. All of the institutions are accredited by either the Accrediting Commission of Career Colleges and Schools (accsc) or the Council on Occupational Education (COE). The MMTC campuses in SC will become branches of Platt College in Tulsa, OK, which is an ACCSC-accredited institution, and relevant applications have been submitted to ACCSC and the U.S. Department of Education.

Background

The Commission granted an initial license in May 2000 to Miller-Motte Technical College to establish a branch campus in Charleston. In January 2010, the Commission granted an amendment to MMTC’s license to add a branch
campus in Conway. MMTC is licensed in SC to offer certificate, diploma, and associate degree programs in the areas of business, allied health, criminal justice, and paralegal. As of September 25 of this year, 863 students were enrolled between the two SC campuses. In addition, MMTC-Conway serves as the host campus for online course offerings within the Delta Career Education Corporation system of schools.

The institutions owned by Delta Career Education Corporation, including Miller-Motte Technical College, are currently accredited by the Accrediting Council for Independent Colleges and Schools (ACICS). In December 2016, the U.S. Department of Education (Department) withdrew its recognition of ACICS. Institutions maintain Department-recognized accreditation for a variety of reasons, including eligibility for state approval, participating in federal financial aid and other grant programs, and for eligibility of their graduates to sit for licensure exams. After the loss of recognition of its accreditor, MMTC subsequently applied for accreditation through the Accrediting Council for Continuing Education and Training (ACCET). However, its application to ACCET was rejected in October 2017 because certain programs at the main and branch campuses had completion and placement rates that fell below ACCET’s benchmarks. The purchase of MMTC by Ancora and establishment of its campuses as branches of an ACCSC-accredited institution will allow for the institution to seamlessly maintain accreditation and for its currently-enrolled students in SC to continue and complete their education.

Ancora Education is a subsidiary of Ancora Intermediate Holdings, LLC, which is a subsidiary of Ancora Holdings, LLC. Marblegate Special Opportunities Master Fund LP and P Marblegate, LTD are the investment groups that own Ancora Holdings, LLC. In 2013, Ancora Education purchased the Arizona Automotive Institute and South Texas Vocational Technical Institute schools from ATI Enterprises, Inc., and it purchased Platt College in 2014. The Ancora-owned institutions remain in good standing with the U.S. Department of Education, ACCSC, and COE. Two South Texas Vocational Technical Institute campuses recently received the ACCSC 2016-2017 School of Distinction award. There is no pending litigation against STVT-AAI Education Inc. (Ancora) or its institutions.

Rationale for Ancora’s Purchase of Delta Schools

Delta Career Education Corporation currently has 42 campuses in its portfolio, several of which were in the process of closure at the time of Ancora’s consideration. However, Ancora is purchasing just 19 of Delta’s remaining 34 active campuses. Ancora officials provided the following rationale for its selection of the Delta campuses it plans to purchase:

In approaching the acquisition of a subset of Delta-owned campuses, Ancora utilized a comprehensive review & modeling approach to identify campuses that are in the best possible position to succeed in today’s private, post-secondary education environment, those which align with Ancora’s mission and current program offerings, and those that can demonstrate a high likelihood of on-going compliance with ACCSC’s Standards of Accreditation.

As early as mid-2016, in conversations with Delta leadership, equity and lenders it became clear to all parties that a combination of financial and regulatory issues would likely impair the Delta system of schools and company. In early 2017, Ancora outlined their global solution whereby it would attempt to merge/acquire certain campuses that combined the best possible attributes and future.

In August 2017, after its exhaustive review, Ancora decided to move forward with 17 of the 32 active Delta campuses. Ancora extensively analyzed corporate and campus level data, visited all campuses, and built an acquisition thesis selecting only those schools in the best possible position to succeed in today’s private, post-secondary education environment.
As part of the diligence process, Ancora’s leadership team completed a detailed four-square analysis (See attached for Conway and Charleston) [Attachment 2] taking into consideration a number of factors, including:

- campus leadership,
- program offerings,
- campus market and area competition,
- financials,
- student achievement outcomes,
- facilities, and
- regulatory position (federal, state and accreditation)

**Staff Review of Application**

Staff has reviewed the asset purchase agreement, as well as articles of incorporation, by-laws, and other organizational documentation; financial documentation; publications; student records documentation; and liability insurance.

Delta Career Education Corporation’s current federal financial responsibility composite score is a -1.0. The federal financial responsibility composite score for STVT-AAI Education, Inc. dba Ancora Education is a 2.4. Federal financial responsibility composite scores range from -1.0 to 3.0, with any number 1.5 or higher reflecting financial responsibility.

**Recommendation**

The staff recommends the Committee on Academic Affairs and Licensing commend favorably to the Commission an initial five-year license for STVT-AAI Education, Inc. dba Ancora Education to acquire and operate Miller-Motte Technical College in Charleston and Conway. No state funds will be required or requested. Licensure is conditional upon approval by ACCSC and the U.S. Department of Education and STVT-AAI Education, Inc.’s securement of new surety bonds for MMTC. Under the ownership of Ancora, MMTC will continue to be subject to the Commission’s annual reporting requirements.
Campus Four-Square Analysis

Target Campuses
Miller-Motte - Charleston

• Programs – good mix and balance
• Market – 600k+ MSA; medium/heavy competition
• Facility – 50k Sq. Ft; $14 per Sq. Ft.; lease ends 2018; give back some space
• Financials – 20% contribution; 15% marketing spend; 13% occupancy
• Outcomes – Business Admin. 3 years below retention benchmark
• Regulatory – program level show cause for placement for electronic health records and licensure reporting for Surgical Tech.
• Leadership – solid leadership team
Miller Motte Tech - Conway

- Programs – Program population needs more balance; MA has half population; fair mix of programs
- Market – limited competition; 380k MSA
- Facility – 31k Sq. Ft; $16 per Sq. Ft.; separate parking lease
- Financials – 37% contribution; 11% marketing; 7% occupancy
- Outcomes – 3 programs below placement benchmark
- Regulatory – licensure exam for MT
- Leadership – Recent upgrades; RVP on campus