

July 19, 2017

Steve Stargardter
President and Accreditation Liaison Officer
United States University
7675 Mission Valley Road
San Diego, California 92108

Re: Structural Change Proposal, Change of Ownership

Dear Steve:

During its conference call on July 18, 2017, a panel of the Substantive Change Committee considered United States University's proposal for a change of ownership. By WSCUC policy, this will require structural change approval by the Commission.

On behalf of the panel, I extend appreciation to you and your colleagues for presenting a proposal that clearly articulated USU's current circumstances and the rationale for this change. The panel found the proposal to be well written and thorough. In addition, the panel commended USU for its continued commitment to the original mission of the university to provide educational opportunities to underserved groups, and for seeking to address its current fiscal and enrollment challenges through a possible ownership change.

The panel acted to proceed to a site visit for this proposed change of ownership. The date is set for September 8, and panel members JoAnn Carter-Wells, David Ely, and Ruki Jayaraman will conduct the visit. JoAnn will be in touch with you about the specific agenda.

This visit will explore five areas:

1. **Enrollment growth and management:** The panel is interested in learning more about USU's proposed marketing and recruitment strategies (e.g., where do leads come from, how will new marketing strategies differ from what USU has tried in the past) and the current characteristics of the student body and how those characteristics might change as a result of increased numbers.
2. **Mission:** The panel wondered whether USU's current mission will be impacted by this proposed structural change, and if so, in what ways. How will USU maintain a supportive student-centered learning environment with substantial growth in enrollment?
3. **Governance:** The panel wishes to learn more about governance structure (Board of Trustees and Board of Managers) post acquisition. Specifically, what will be the role and responsibilities of the Board of Trustees? Who will be the members? What will be the role and responsibilities of the Board of Managers? Who will be the members? To what extent and in what areas will the parent corporation be involved in decision making for USU?

4. Capacity to provide services: Some of the questions the panel will explore include: Are key personnel remaining with USU or have suitable replacements been identified? What services will be shared? How will shared services work in practice? Who will take the lead and who will make decisions about shared services? What is the plan for reducing infrastructure at USU?
5. Finances. The panel will spend time reviewing USU's finances, including working capital adequacy. What enrollment projections and tuition assumptions are used to generate forecasted income levels? What happens if EBITDA does not turn positive in FY19 and FY20? What impact has the new recruiting processes had on fall enrollment?

The panel wishes to meet with the following individuals and groups during the visit: the president/ALO, senior leadership of USU, CFO, USU board of trustees, those in charge of enrollment management, those in charge of what will be shared services (e.g., IT, HR, and so on), Dr. Oksana Malysheva, Mr. Mike Mathews, faculty leadership, staff, and a group of students. In developing an agenda for the visit, the panel may identify additional individuals or groups with whom they wish to speak.

If possible, the panel would like to receive, in advance of the visit, a copy of the Board bylaws. Please post the materials to box. If it is not possible to receive the bylaws ahead of time, the panel can review this information onsite at the start of the visit.

This proposed change of ownership constitutes a structural change as well as a substantive change. The panel will write a report after its visit. This report will be sent to you for correction of errors of fact and will then be reviewed by the panel and, if accepted, the USU proposal, this letter, and the site report will be forwarded to the Commission's Structural Change Committee for review. If approved, the proposal will then be presented to the Commission in November for final approval.

Please contact me if you have any questions or if I can be of help.

Sincerely,



Barbara Gross Davis, Ph.D.
Vice President

cc: Members of the Substantive Change Committee