



zenith
EDUCATION GROUP

The First Six Months

Table of Contents

1) Introduction and Summary

2) Improved Affordability and Financial Counseling Support

- 20 Percent Tuition Reduction
- Zenith Student Grant
- Financial Literacy Counseling
- More Personalized Financial Aid Support
- Participation in College Abacus Online Tool

3) Ensuring a Clear Path to Good Jobs

- Student Choice
- Beyond Student Choice
- New and Improved Programs
- Employer Partnerships
- Senior Vice President of Student Success

4) Creating Student-Centered Marketing Admissions

- New Admissions Process

5) Building a Mission-Driven Leadership Team

- New Provost
- Zenith Advisory Council

6) Regulatory and Compliance Safeguards

- Centralization of Compliance Activities
- Independent Monitor
- New Mission, Vision and Code of Conduct for Employees

7) Creating a New Model of Career Education through Innovation

- Campaign for Innovation
- IDEO Pilot Programs

8) Looking Ahead

1) Introduction and Summary

Zenith Education Group (Zenith) was launched in February 2015 with ECMC Group's acquisition of more than 50 Everest and WyoTech career colleges from the now defunct for-profit Corinthian Colleges chain. The schools were immediately transitioned to nonprofit status, creating one of the largest nonprofit career college systems in the country.

Our first six months of operating Zenith have been both challenging and energizing. Challenging, because we have a steep road to climb to create truly outstanding schools that consistently help students achieve their educational and career goals. Energizing, because we recognize that our mission of helping students succeed makes every step worth the effort.

In keeping with Zenith's nonprofit mission, we are measuring success not by how many students we enroll, but by how many students complete their programs and get jobs in their fields when they graduate. Upon Zenith's launch, we immediately began to implement a series of initiatives designed to improve student outcomes and the affordability of our programs.

In this progress report – our first since Zenith was founded – we will discuss a number of actions that we have taken to put students first and improve our schools. These include:

- Reducing tuition and providing millions of dollars in student grants.
- Phasing out or limiting enrollment in underperforming programs.
- Making inroads in revamping marketing and admissions.
- Hiring several new leaders with the experience and passion for serving students.
- Centralizing and strengthening regulatory compliance.
- Gathering ideas – internally and externally – for creating a more effective model of career education.

Although some of these initiatives have materially reduced the size of our student population, we remain focused on laying the groundwork for substantially improved student outcomes. In so doing, we are confident that we will attract new students over the long run. We are too early in our improvement process to measure the results, and we recognize that creating a best-in-class system of career colleges will take years of dedicated effort. We have our sleeves rolled up for the long haul, and look forward to providing regular updates as we move forward.

2) Improved Affordability and Financial Counseling Support

In Zenith's first week of operation, we launched two main initiatives designed to help minimize student debt and improve the affordability of our programs: a tuition reduction and the Zenith Student Grant. Since then, we have developed more robust financial literacy counseling for students and shifted more financial aid services to our campuses. We are already beginning to see the benefit of these efforts reflected in our trend data, which show a decline in the debt burden of our students.

20 Percent Tuition Reduction

For all of our Everest programs, we reduced tuition by 20 percent for new students. In addition, to ensure that Everest students who were enrolled at the time of the acquisition also received the benefit of the reduction, we implemented the Zenith Graduation Financial Assistance program. This grant provides the 20 percent tuition discount, prorated for the student's remaining time in the program. To help encourage program completion, the grant is awarded upon graduation as a reduction in outstanding student loans. We anticipate more than 4,400 students will ultimately participate in the program, receiving more than \$9.5 million.

Zenith Student Grant

To help students fund the gap between the cost of tuition and federal student aid, we created the Zenith Student Grant. This grant offers up to \$10,000 annually to students of Everest and WyoTech schools who demonstrate financial need using the federal Expected Family Contribution standard. Since the program's inception, we have awarded more than \$7.4 million in grants to more than 2,800 students. We are also in the process of implementing a Zenith WyoTech Housing Grant program that will help support our WyoTech students who live away from home during their training programs.

Financial Literacy Counseling

To help students better understand and manage their financial aid options and education debt in relation to their career aspirations, Zenith will be rolling out new financial literacy counseling programs across all campuses. As a first step, we are implementing two pilot programs at select campuses in the coming months:

- 1. Pre-enrollment counseling.** The ECMC Innovation Lab and Zenith campus student finance teams have collaborated to create personalized financial counseling for prospective students, including interactive materials. Based upon real-life case studies and proven financial aid best practices, the teams have created a program to help equip potential students with an understanding of personal budgeting, and the best ways to minimize the use of federal loans and avoid over-borrowing. Now in development, the program will launch at select sites in October 2015.
- 2. In-school and exit counseling.** ECMC Group experts are providing extensive training to Zenith student finance teams to ensure that each school has a robust financial literacy program for current students. ECMC Group's expertise, based on decades of experience as one of the nation's leading federal student loan guarantors, is helping Zenith provide students with hands-on learning in such areas as managing personal finances and credit, and gaining access to local banking services. As a result, our students will be much better prepared to manage their personal finances and student loan obligations upon graduation.

More Personalized Financial Aid Support

To provide students with more personalized financial aid support, we shifted student-facing responsibilities from a centralized student finance contact center to campus-based financial aid staff. While financial aid teams previously worked with students during pre-enrollment only, they will now provide support to students throughout the duration of their programs.

Participation in College Abacus Online Tool

To help students gain a clear understanding of the cost of their education prior to enrollment, we integrated our net price calculators for our school programs into College Abacus. College Abacus is a free online tool offered by ECMC that allows students to calculate and compare their bottom-line college tuition costs across more than 5,000 schools. For more information, go to www.collegeabacus.org

3) Ensuring a Clear Path to Good Jobs

We measure success primarily by whether our students complete their programs and find gainful employment in their fields of study. Since Zenith's launch we have implemented several initiatives to improve the alignment between our programs and employer needs, including: Student Choice, program phase-outs, program enrollment caps, upgrades of existing curricula and the identification of new programs and certifications with strong placement prospects. In addition, we have been fostering an open dialogue with employers in our local communities with the goal of expanding existing partnerships or establishing new ones that can expand available job opportunities for our graduates.

Student Choice

Student Choice was our first major initiative to curtail or phase out programs that were not meeting acceptable job placement rates. About 11,000 students, or 40 percent of the total student body, were enrolled in such programs at the time of Zenith's launch. Students participating in Student Choice were given three options: continue their studies; switch to another Everest or WyoTech program, with a voucher for all tuition and fees already paid; or receive a full refund.

Our primary goal for Student Choice was clear: we wanted students to make their own independent decisions regarding their educational programs, based on easily understood, unbiased information and without pressure from anyone at ECMC Group or Zenith. To carry out the initiative, we established rigorous standards and detailed processes; we provided comprehensive training and careful oversight for the hundreds of Zenith employees who worked with our students participating in Student Choice; and we consulted extensively with our independent monitor, Hogan Marren Babbo & Rose Ltd., regarding all aspects of the Student Choice program's design and execution.

Students enrolled in campus-based programs were briefed about Student Choice in one-on-one meetings, with faculty and administrative staff available to answer questions, while online students were offered information through email and by phone. Students were also able to pose any question they wanted and were able to seek additional information at any time through a toll-free hotline established specifically for Student Choice. In total, we received **229 calls** to the hotline. None of the calls from students eligible for Student Choice were ethics-related.

After a month of intensive effort, the Student Choice program was completed in early March. As a result of the exhaustive efforts of our employees, we made personal contact with **83 percent** of the thousands of eligible students. Any student who did not affirmatively select one of the options one week after his or her individual one-on-one meeting with an advisor was automatically continued in his or her current academic program. Zenith employees made, on average, eight attempts to follow up with students who did not complete the Student Choice form.

Here are the results of Student Choice:

- Sixty-seven percent remained in their current programs. Of these students, 58 percent completed a Student Choice form.
- Sixteen percent asked for, and promptly received, a full refund of tuition and fees.
- Ten percent requested a voucher that can be applied to another Zenith program.
- The remaining seven percent of students dropped out of their programs during the time Student Choice was being implemented and did not request a refund. We consider this level of attrition to be in keeping with historic levels.

The Student Choice program represents a significant commitment to program quality and student success. The cost of refunds to students who requested them totaled approximately **\$29 million**, excluding the cost of designing and executing the process. Our goal is to help students find the best path to academic and workplace success, and Student Choice was a down payment on our overall effort to do just that.

Beyond Student Choice

In addition to Student Choice, we are monitoring our programs on an on-going basis to ensure the right balance between enrollments and labor market demand. Since February, we have either limited enrollments, or begun or completed the phase-out of 125 programs at 35 campuses and online. We will continue to cap or phase out programs that fail to lead to gainful employment for our graduates.

New and Improved Programs

We are working to provide high value for students, graduates and employers by expanding the complement of programs available at our campuses. Programs under evaluation meet several essential criteria, including alignment with available jobs in the labor markets we serve and the potential for high student completion and placement rates. Many of these new programs are geared to strong demand in the healthcare industry and the automotive and construction trades. We plan to begin expanding program offerings at select campuses by the end of 2015, and to introduce additional programs in 2016 and beyond.

Employer Partnerships

To be effective in helping our graduates find good-paying jobs in their fields of study, we must work directly with the employers who hire them. One of our successful employer partnerships, for example, is between Mack Trucks, Volvo Trucks and WyoTech. Using the Mack Truck and Volvo Truck curricula and equipment, WyoTech instructors and staff work closely with the company to ensure that our students learn and can demonstrate the required technical and soft skills. In turn, students who successfully complete the Diesel Advanced Technology Education (DATE) for Mack Trucks and Volvo Trucks coursework, have a clear advantage in being hired into their dealer network. We expect to expand our relationship with Mack Trucks and Volvo Trucks in the future.

Building on this model, in July we completed a new partnership agreement between WyoTech and Mazda North American Operations. Under this exclusive arrangement, Mazda provides instructional modules and equipment, and students who successfully complete the curricula will graduate as Mazda certified technicians. This program is free to students who participate and those who become certified will significantly enhance their employment prospects at one of Mazda's 640 dealerships in the U.S.

Senior Vice President of Student Success

To help keep job placement front and center, we created a new senior-level position – senior vice president of student success. In May, Karen Turner was selected to fill this role. As a former executive at Randstad, the second largest human resources services and staffing company in the world, Karen has spent most of her career helping match qualified job-seekers with employers. She is now leading our effort to improve job opportunities for Zenith graduates by building more robust employer partnerships, strengthening campus and online placement functions, and helping ensure that students are equipped with not only the technical skills, but also the soft skills necessary for starting their careers.

With more than 20 years of employment staffing expertise, Ms. Turner brings a unique ability to develop business partnerships at the highest level of an organization as well as an in-depth understanding of the needs of today's employers.

4) Creating Student-Centered Marketing and Admissions

In keeping with our non-profit mission, we have made it a priority to create a new approach to marketing and admissions – one that provides useful, timely and accurate information to help each prospective student make a quality decision about where to attend school and what program to pursue. Our primary focus is on enrolling students who are likely to complete their programs and become employed in their fields, not on higher admission rates.

We are in the process of developing a new, student-centered, locally-based marketing and advertising program to help build positive awareness of our Everest and WyoTech schools and reflect the new direction of our institution. In addition, we believe the improvements we have made in program affordability, and those we are making in program quality and student outcomes, will help us improve the reputation of our schools, attract new students and employer partners and maintain healthy enrollment numbers over time.

New Admissions Process

In admissions, we are currently field testing a new process that will help us determine each prospective student's ability to succeed in our programs and ultimately in the workplace. It will also help potential students understand the basic academic skills, on-going effort and financial investment it will take to successfully complete their programs before they enroll.

The new admissions process will assess three key factors that are vital for student success. These are:

1. **Interest.** To determine whether a prospective student's career interests match our program offerings, we plan to administer a career interest survey and discuss the results with him or her.
2. **Motivation and drive.** Prospective students will complete a survey that provides insight into their tenacity. Many of our students face a complicated set of financial and life challenges, so the ability and motivation to "stick with it" is vital to their success in school.
3. **Basic academic skills.** Prospective students will complete a verbal and quantitative assessment to gain insight into whether they have the basic academic competencies necessary to succeed in an Everest or WyoTech program. Students with low scores on their basic skills assessment may still enroll but will be required to meet with an academic advisor to discuss options for strengthening academic skills.

After discussing their assessment results in all three areas with admissions representatives and academic advisors, prospective students will be much better equipped to decide whether to enroll in one of our programs. In alignment with this new admissions process, job descriptions for admissions personnel now reflect a more consultative enrollment approach and will continue to evolve as our new process is fully implemented. Field testing of the new admissions process is underway at three campuses; full implementation is expected in 2016.

5) Building a Mission-Driven Leadership Team

Over the past few months we have made substantial progress in hiring new senior leaders with a passion for building a more effective model of career education. We have made several high-level hires to date, including a senior vice president for student success, chief information officer, chief human resources officer, president for Everest University Online – and most recently – a Zenith provost and chief academic officer. Our search for additional members of our leadership team is ongoing. In particular, we have made considerable progress in our search for a permanent Zenith president and expect to have this position filled by early fall.

New Provost

Last month, we announced the appointment of Dr. Mary Ostrye as our first provost and chief academic officer – she will officially be on board in mid-August. Dr. Ostrye's accomplishments in aligning program offerings with students' career goals and employer needs, as well as her commitment to providing academic support for students, make her an ideal fit for Zenith. We are confident that her deep experience will help our schools improve student outcomes and provide each student with a clear path to a good job upon graduation.

Specifically, Dr. Ostrye will bring 35 years of experience in higher education academic leadership. She is coming to Zenith from Ivy Tech Community College, where she is provost and senior vice president. Ivy Tech serves approximately 200,000 students at 30 campuses across Indiana and is among the fastest-growing community colleges in the nation. Dr. Ostrye restructured the Ivy Tech math curriculum to better match skills taught with workforce needs, doubled the success of math and writing remediation, and created a one-year technical certificate program achieving 70 percent completion rates in the first three years of implementation.

Zenith Advisory Council

Zenith has assembled an advisory council of seven individuals with diverse, in-depth expertise in postsecondary education, job placement and training, human resources, economic development and financial management to complement existing skills and experience within Zenith and ECMC Group and to advise leadership in building a first-rate career college system.

The Zenith Advisory Council conducted its first meeting in June at the Everest Mid-Cities campus in Dallas. During the meeting, the council provided constructive feedback and guidance related to several programs aimed at creating a more effective model of career education, including the new admissions process (see section 4 above), and the Campaign for Innovation and IDEO pilot programs (see section 7).

6) Regulatory and Compliance Safeguards

In keeping with our commitment to create a career college system rooted in accountability to students, we are operating Zenith with the utmost integrity and transparency, including compliance with applicable laws and regulations. Among several initiatives, we have centralized compliance leadership, retained an Independent Monitor, and rolled out a new mission, values and code of conduct for all Zenith employees.

Centralization of Compliance Activities

When we announced our intent to create Zenith in November 2014, we committed to expanding oversight of the schools by consolidating and centralizing all compliance, quality control and internal audit functions under ECMC Group. In delivering on that promise, we have transitioned operational leadership of our compliance functions to ECMC Group/Zenith headquarters in Oakdale, Minn., and additional consolidation and centralization of compliance is ongoing.

In addition to centralization, we are committed to establishing new compliance safeguards across our institution. For example, along with improving the prospective student experience (see section 4), we are centralizing the quality assurance function within the compliance team. The new quality assurance team, expected to be fully operational by the end of 2015, will monitor and/or review phone calls between admissions representatives and prospective students. In addition, we launched a Transparency Center with centralized placement, completion and other data at www.zenith.org, making the information readily available to students, regulators, and the general public.

Independent Monitor

As previously reported, we appointed Hogan Marren Babbo & Rose Ltd., a Chicago, Illinois-based law firm, as an independent compliance monitor approved by the U.S. Department of Education to monitor our compliance with the conduct provisions agreed to with the Department. Since then, the monitor has had full access to the systems, data and people necessary to review Zenith's adherence to various standards of performance, including the conduct provisions.

For example, as students were receiving information and making decisions about their Student Choice options, Hogan Marren representatives visited our ground campuses and monitored phone communications to observe conversations between employees and students and provide additional safeguards beyond our toll-free hotline, training and other oversight measures.

Since our launch, Hogan Marren has made no material findings of improper conduct, demonstrating our compliance with the conduct provisions and other standards of performance. The release of the monitor's findings is at the Department's discretion.

New Mission, Values and Code of Conduct for Employees

All Zenith employees now operate under ECMC Group's nonprofit mission of student success as well as its values of integrity, excellence, service, teamwork and wellness. In addition, Zenith employees have been required to commit to ECMC Group's Code of Ethics and Business Conduct (the Code).

To promote ongoing compliance with the Code of Ethics and Business Conduct, we instituted ECMC Group's requirement of mandatory annual online training for all employees. ECMC Group also requires annual written affirmation of the code by its board of directors. In addition, we are planning to take our "Code on the Road" across Zenith, delivering live mandatory training conducted by ECMC Group's vice president of corporate compliance and vice president of internal audit.

We are implementing the code in accordance with effective corporate ethics programs such as dual administration of the program and multiple reporting options, including a third-party anonymous reporting option available to employees and the board. Employees have an obligation to report suspected or actual violations, and we have a no-tolerance policy for retaliation.

7) Creating a New Model of Career Education through Innovation

Since Zenith's launch, we have kept students at the forefront of our decision-making and launched multiple initiatives in service of building a better career school. In addition, we have started to gather innovative ideas that will help our institution become best-in-class, through our Campaign for Innovation and the IDEO Project, described below.

Campaign for Innovation

In March, we launched the Campaign for Innovation – an initiative sponsored jointly by ECMC Foundation and ECMC Innovation Lab to elicit and fund selected creative, actionable and measurable ideas from campus employees about how to promote student success. Among several benefits, the campaign has helped us tap into the ideas of employees who know our students best and to foster an open, constructive dialogue between senior leaders and campus teams.

The campaign generated an outpouring of ideas from campus employees and in July we selected winners whose projects will receive grants totaling \$2.5 million. Awards range from \$5,000 to more than \$200,000 distributed over two years. About half of the winners will receive grants of more than \$25,000.

Aligned with our commitment to be accountable in ways you can see and measure, many of our winning ideas are designed to bolster program completion and job placement rates. Some of these ideas include new certification programs, upgraded classroom technology and equipment, remedial programming and resource assistance for students in need. While not all selected ideas are first of their kind, we sought approaches that have not been previously implemented on our campuses and that bring new benefits to our students, along with being sustainable and scalable.

We look forward to sharing additional information about our winning projects in the future.

IDEO Pilot Programs

We are also looking to external sources for innovative ideas to help us consider new and diverse perspectives in re-envisioning the future of career education. Toward that end, earlier this year we retained the design consulting firm IDEO to derive in-depth insights from students, employers and employees on how we can best promote long-term student success. The results of these efforts include several newly proposed programs across admissions, career assessment, soft and hard skills development, classroom experience, employer relationships and job placement and support. In the coming months, we will pilot some of these programs at select campuses, with the intention of implementing the best programs at all school locations.

8) Looking Ahead

We are proud of the progress we have made to date, but recognize that our work is far from done. We are inspired by the students and graduates we serve and are confident that Zenith has the potential to create a system of career schools that is synonymous with student success. As this report indicates, our future plans include the continued implementation of several initiatives already launched, such as improving student outcomes; strengthening our placement services and employer relationships; improving the prospective student experience; expanding program and certificate offerings; hiring additional leadership; and tapping into internal and external ideas to help create a more effective career school model.

We look forward to staying in communication with our students, employers, regulators and the public at large about our continued progress.