

February 26, 2020

Dr. Barry T. Ryan  
President  
Sofia University  
1069 East Meadow Circle  
Palo Alto, CA 94303

Dear President Ryan:

During its February 12-14, 2020 meeting, the WASC Senior College and University Commission (WSCUC) considered a proposal submitted by Sofia University (Sofia) for a Change of Ownership to Beitou Holdings (Canada) Ltd. This change is a Structural Change, defined by WSCUC Substantive Change policy as a change in mission, ownership, legal status, or control.

Consideration of this Structural Change follows submission by the institution of a proposal and its subsequent review by a panel of the Substantive Change Committee via teleconference on May 17, 2019 and an on-site visit to the Sofia campus in Palo Alto, CA on July 26, 2019. At its November 2019 meeting, the Structural Change Committee of the Commission reviewed the original Structural Change application materials, the visiting team report, and additional materials which had been requested to supplement the proposal. It deferred action pending receipt of supplemental information.

The Structural Change Committee recommended to the Commission deferral of the Change of Ownership request pending Sofia's receipt of the pre-acquisition review letter it has requested from the U.S. Department of Education. Based on the supplemental information provided by Sofia to WSCUC, the Committee also recommended that Sofia be issued a Warning as it found that the institution is out of compliance with CFR 1.8, the WSCUC Core Commitments,<sup>1</sup> and the Commission's *Substantive Change Policy* because it did not timely disclose or seek advance approval from WSCUC of the transfer of the stock of Sofia University, SPC ("*Sofia SPC*") to Education First LLC ("*Education First*") that occurred in April 2019.

After deliberation, the Commission acted to:

1. Receive the Site Visit Report
2. Defer consideration of the proposed Change of Ownership to Beitou Holdings (Canada), Ltd. (Beitou), pending receipt of the institution's pre-acquisition review letter from the U.S. Department of Education
3. Issue a Warning
4. Schedule a Special Visit in fall 2020 on board governance, leadership transition, enrollment, and their impact on academic offerings

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<sup>1</sup> The Core Commitment to Institutional Integrity, Sustainability, and Accountability requires institutions to recognize that the public has entrusted them with the critical responsibilities of upholding the values of higher education and contributing to the public good. They engage in sound business practices, demonstrate institutional integrity, operate in a transparent manner, and adapt to changing conditions.

The details regarding the Commission's actions and required reports and documentation are provided below.

### **Warning**

According to materials provided by Sofia, and as reported by Sofia representatives during the meeting with the Structural Change Committee on February 12, 2019, in April of 2019 Education First acquired 32.91 percent of the stock of Sofia SPC.

As defined in the WSCUC *Substantive Change Policy* a substantive change is one that may significantly affect the institution's quality, objectives, scope, or control, or that triggers conditions established under federal law. The Commission regards "[a]ny change in the legal status, form of control, or ownership of the institution to be a substantive change."<sup>2</sup> A change in ownership occurs where, in either a single transaction or a series of related transactions, the institution entity issues or transfers at least 25% of its ownership interests, or any individual, trust, estate, partnership, association, company, or corporation acquires or ceases to own at least a 25% ownership interest.<sup>3</sup>

According to the *Substantive Change Policy*, substantive changes in an accredited institution are to be reported to the Commission and approved in advance of implementation. Institutions implementing a change in mission, legal status, ownership, and/or form of control without appropriate Commission approval are subject to Commission sanction, including the possibility of termination of accreditation. Sofia neither provided advance notice, nor sought advance approval, of the transfer of shares of Sofia SPC to Education First and accordingly has not complied with the *Substantive Change Policy*, CFR 1.8, or the *Core Commitment to Institutional Integrity, Sustainability, and Accountability*. The Commission has issued a Warning on that basis and requires a detailed explanation concerning why Sofia did not provide the required notification and request for advance approval to comply with WSCUC standards and requirements. That explanation should be submitted to WSCUC within 30 days of receipt of this letter. In addition and also within thirty days, the Commission requires the following information relative to the sale of shares of Sofia SPC to Education First.

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<sup>2</sup> WSCUC *Substantive Change Policy*, p. 1 of 2. <https://www.wscuc.org/content/substantive-change-policy>

<sup>3</sup> See [WSCUC Levels of Review for Proposed Changes in Mission, Legal Status, Ownership, or Control Policy, p. 1-2. https://www.wscuc.org/content/levels-review-proposed-changes-mission-legal-status-ownership-or-control-policy](https://www.wscuc.org/content/levels-review-proposed-changes-mission-legal-status-ownership-or-control-policy)

- Documents that describe the current relationship between the institution’s ownership entity and its governing board and any other legally related entities, and information regarding the extent of engagement of the Sofia governing board in the Education First transaction.
- Documentation that will help WSCUC understand the process by which the Education First transaction was planned and carried out, such as a summary of discussions with campus constituents (Board of Trustees, Academic Senate, students), strategic plans, financial plans, copies of Board minutes as appropriate, copies of legal documents regarding the change of ownership, and copies of legal documents dealing with matters of facilities and other institutional property, as applicable.
- Documents that describe the current relationship between ownership interest and voting authority on the institution’s governing body.
- An explanation of the impact of the change on the exercise of institutional control, authority, and governance, in terms of the institution’s relationship with external bodies including government agencies.
- An explanation of the impact on institutional finances, including a description of any legal or compliance requirements related to the change.

### **Structural Change Review of Proposed Acquisition of Additional Shares of Sofia SPC by Beitou**

The Commission requires the institution to submit the results of the U.S. Department of Education’s pre-acquisition review of the Structural Change Proposal that is currently being considered by the Commission (proposed transaction resulting in 100% ownership of Sofia SPC by Beitou).

In addition, Sofia is required to respond to the following issues in preparation for its Special Visit:

1. Submit revised bylaws for Sofia SPC board of directors to authorize a board of trustees and specify its power and authority relative to the board of directors in a manner consistent with WSCUC requirements. (CFR 1.5, 3.9, Governing Board Policy)
2. Submit revised bylaws for the Sofia University Board of Trustees to align definitions and processes with the WSCUC Governing Board Policy and Governing Board Policy Implementation Guide. (CFR 1.5, 3.9)
3. Submit conflict of interest policies for the Sofia University Board of Trustees. (CFR 1.5, 3.9, Governing Board Policy)
4. Implement board training and self-evaluation in a manner consistent with WSCUC expectations and best practices in higher education. (CFR 1.5, 3.9, Governing Board Policy, Governing Board Implementation Policy)

5. Evaluate sufficiency of board of trustees' membership and expertise to carry out its full range of responsibilities. (CFR 1.5, 3.9, Governing Board Policy, Governing Board Implementation Policy)
6. Implement board of trustees' committees in a structure that supports a fully functioning board with each member involved in decision making in a manner aligned to the trustees' bylaws. (CFR 1.5, 3.9, Governing Board Policy, Governing Board Implementation Policy)
7. Develop a formal, documented budgeting process that honors the expectations of board oversight (rather than management) of the process, supports the strategic plan and new campus locations, plans for both long-term and short-term budget shortfalls, and clarifies the budget approval process. (CFRs 2.7, 3.4, 3.7)
8. Create formal processes for succession planning of executive leadership. (CFR 3.8)
9. Clarify processes for tracking and reporting enrollments in distance education and on-site modalities. (CFRs 4.1, 4.2)

This letter will be posted on the WSCUC website in accordance with WSCUC Commission policy. If Sofia would like to respond to the Commission's findings, a link to your response will be posted on the WSCUC website.

Finally, the Commission wishes to express its appreciation to Sofia University for its cooperation during this Structural Change review. WSCUC is committed to an accreditation process that adds value to institutions while contributing to public accountability, and we thank you for your continued support of this process.

Please contact me if you have any questions or comments about this letter or the action of the Commission.

Sincerely,



Jamiene S. Studley  
President

JSS/jkh

cc:

Reed Dasenbrock, Commission Chair  
Members of the Substantive Change Committee panel  
David Figuli, Chair, Sofia University Board of Trustees  
Mark Goor, Vice President  
John Hausaman, Director of Substantive Change and Committee Relation