



January 26, 2015

Eric S. Juhlin, President
Stevens Henager College
4021 South 700 East, Suite 400
Salt Lake City, Utah 84107 9923

Certified Mail
Return Receipt Requested
7012 1640 0000 0567 7699

RE: Provisional Certification Alternative
OPE ID: 00367400 Stevens Henager College
02594300 College America Denver
02110800 California College San Diego
03120300 College America Flagstaff

Dear Mr. Juhlin:

The Chicago/Denver School Participation Division (SPD) has completed its review of the fiscal year ended 12/31/2013 audited financial statements of Center for Excellence in Higher Education (Center), Inc. on behalf of the above named colleges.

In assessing the financial strength of the Center, our financial analyst reviewed the financial statements using the indicators that are set forth in regulations at 34 C.F.R. § 668.171.

Financial Ratios 34 C.F.R. § 668.171(b)(1)

These statements yield a composite score of 0.2 out of a possible 3.0. A minimum score of 1.5 is necessary to meet the requirement of the financial standards. Accordingly, the Center fails to meet the standards of financial responsibility as described in 34 C.F.R. § 668.172, Financial Ratios.

Additional factors were considered in arriving at the amount of the letter of credit:

- The 2013 balance sheet includes a very high amount of debt. Long term debt, current portion and future portion, amount to \$423,000,000, or 79% of total assets.
- The 2013 balance sheet contains a high amount of Goodwill. Goodwill amounts to \$419,042,664 or 78% of total assets.
- The schools are undergoing a change in ownership where the new owning entity has no prior experience in administering Title IV programs.

Federal Student Aid

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

Federal Student Aid, Chicago/Denver School Participation Division
1111 Speer Boulevard, Suite 201, Denver, Colorado 80202-7138
StudentAid.gov

- The acid test ratio for the Center's balance sheet of 0.53:1 also fails the test of financial responsibility.

In view of its failure to meet the financial responsibility standards, and in view of the additional risk factors noted above, the above named colleges may continue to participate in the Title IV, HEA programs under the following:

Provisional Certification (34 C.F.R. § 668.175(f))

The Center must post a letter of credit in the amount of \$71,657,360 and the above named colleges must be provisionally certified for a period of up to three complete award years. This amount represents 50% of the Title IV, HEA program funds received by the institutions during their most recently completed fiscal year.

The Center and the above named colleges must comply with all of the requirements specified for the Provisional Certification Alternative in 34 C.F.R. § 668.175(f), including the Zone Alternative in 34 C.F.R. § 668.175(d)(2) and (3), and Requesting Funds 668.162(e), including the disbursement of Title IV, HEA program funds under the cash monitoring 1 payment method.

Compliance with Zone Alternative Requirements:

1) Method of Payment – The Center and the above named colleges are required to make disbursements to eligible students and parents under either the cash monitoring or reimbursement payment method as described under 34 C.F.R. § 668.162(d) and (e). The institutions will be placed on the cash monitoring 1 payment method.

Under the Heightened Cash Monitoring 1 (HCM1) payment method as stated in 668.162(d), the institutions must first make disbursements to eligible students and parents before it requests or receives funds for the amount of those disbursements from the Department. This "Records First" requirement is fully described in the 2013-2014 Funding Authorization and Disbursement Information eAnnouncement, issued March 15, 2013. The funding request may not exceed the amount of the actual disbursements that were made to the students and parents included in the funding request. Providing the student accounts are credited before the funding requests are initiated, the institution is permitted to draw down funds through the Department's electronic system for grants management and payments, G5, for the amount of disbursements it made to eligible students and parents.

The Records First requirement also means that institutions on HCM1 that are participating in the Direct Loan (DL) program will have their Current Funding Level (CFL) reduced to the greater of Net Approved and Posted Disbursements (NAPD) or Net Draws (processed payments less all refunds, returns, offsets, and drawdown adjustments). In the event of returning to Advanced Funded status, the institutions will be expected to continue processing DL awards as Records First until the next DL global funding increase is processed.

Refer to the following eAnnouncement,
<http://ifap.ed.gov/eannouncements/attachments/031513AttachImportantReminders1314FundingAuthandDisbursInfo.pdf>, for additional information about the Records First requirement.

2) Notification Requirements – The Center is required to provide information to the SPD by certified mail or electronic or facsimile transmission no later than 10 days after any of the oversight or financial events, as described below, occur. The Center must also include with the information it submits, written notice that details the circumstances surrounding the event(s) and, if necessary, what steps it has taken or plans to take, to resolve the issue.

- Any adverse action, including probation or similar action, taken against the institutions by their accrediting agency, applicable state agencies or other Federal agency;
- Any event that causes the institutions, or related entity as defined in the Statement of Financial Accounting Standards (SFAS) 57, to realize any liability that was noted as a contingent liability in the institution's or related entity's most recent audited financial statements;
- Any violation by the Center or the institutions of any loan agreement;
- Any failure of the Center or the institutions to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;
- Any withdrawal of owner's equity/net assets from the institutions by any means, including by declaring a dividend; or
- Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30
- Any filing of a petition by the Center or the institutions for relief in bankruptcy court.

Letter of Credit Requirements

The irrevocable letter of credit must be made payable to the Secretary, U.S. Department of Education. The letter of credit is necessary in the event that the institutions would close or terminate classes at other than the end of an academic period. It assures the Secretary that funds would be available from which to make refunds, provide teach-out facilities and meet institutional obligations to the Department.

A sample irrevocable letter of credit is enclosed. College America Services letter of credit must be issued by a United States bank. Your lending institution must use this format on its letterhead with no deviation in the language contained therein. The letter of credit must provide coverage until 12/31/2016. The irrevocable letter of credit must be received prior to 75 calendar days from the date of this letter. Please note that if the Center fails to provide the irrevocable letter of credit within 75 calendar days, the institutions may be referred to the Department's Administrative Actions and Appeals service Group (AAASG) office for termination and/or other administrative action under 34 C.F.R. § 668.86. Also, note that information regarding the financial analysis

score, results, and the LOC is subject to the Freedom of Information Act (FOIA) of 1966, as amended.

Please mail the irrevocable letter of credit to the following address:

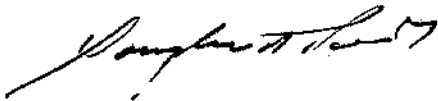
Veronica Pickett, Director
Performance Improvement and Procedures Service Group
U.S. Department of Education
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

The Center is required to notify the Chicago/Denver School Participation Division within 3 calendar days, in the event the LOC issuing institution should fail, resulting in financial transactions and operations being administered by the Federal Deposit Insurance Corporation. The Center will also be required to submit a new replacement LOC issued by a different and non-failed U.S. bank, within 75 calendar days.

Promptly contact Clare Barger, Senior Institutional Review Specialist, for Chicago/Denver School Participation Division at (312) 730-1595 with any questions regarding the College America Services current DL award authorization level or the Records First requirements.

If you have any questions regarding the financial responsibility determination, or disagree with the reason or methodology used for this determination, please contact Marion Peak, Financial Analyst, within 30 calendar days at (303) 844-3320.

Sincerely,



Douglas A. Parrott
Director
Chicago/Denver School Participation Division

Enclosures: Sample Irrevocable Letter of Credit

cc: Utah Department of Commerce
AZ State Board for Private Postsecondary Education
CA Bureau for Private Postsecondary & Vocational Education - Department of Consumer Affairs
State of Colorado - Department of Regulatory Agencies
CO State Department of Higher Education - Private Occupational Schools
ID State Board of Education (EXEMPT)
UT System of Higher Education State Board of Regents

WY Wyoming Department of Education
Accrediting Commission of Career Schools and Colleges

IRREVOCABLE LETTER OF CREDIT

<Insert name, address and telephone number of issuing bank>

To beneficiary:

U.S. Department of Education
ATTN: Veronica Pickett, Director
Performance Improvement and Procedures
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

Date: <Insert Date LOC Issued>

Amount: \$<Insert U.S. Dollar amount>

Expiration Date: <Insert Date>

Dear Sir/Madam:

We hereby establish our Irrevocable Letter of Credit Number <Insert LOC Number> in your favor for the account of:

<Insert Name and Address of Institution>

OPE-ID #: <Insert 8 digit Office of Postsecondary Education ID number>

Hereafter, <Insert Name of Institution> ("Institution"), presents, in the amount of \$<Insert Dollar Amount> (U.S. dollars), available by your draft (or drafts drawn on us) at sight accompanied by:

- a) the original of this letter of credit instrument (along with originals of all amendments), and
- b) a statement signed by the Secretary ("Secretary"), U.S. Department of Education ("Department"), or the Secretary's representative, certifying that the drafted funds will be used for one or more of the following purposes, as determined by the Secretary:
 - 1) to pay refunds of institutional or non-institutional charges owed to or on behalf of current or former students of the Institution, whether the Institution remains open or has closed,
 - 2) to provide for the "teach-out" of students enrolled at the time of the closure of the Institution, and
 - 3) to pay any liabilities owing to the Secretary arising from acts or omissions by the Institution, on or before the expiration

U.S. Department of Education
Irrevocable Letter of Credit for
<Insert Name of Institution>
Page 2

of this letter of credit, in violation of requirements set forth in the Higher Education Act of 1965, as amended ("HEA"), including the violation of any agreement entered into by the Institution with the Secretary regarding the administration of programs under Title IV of the HEA.

Should the Institution fail to renew the letter of credit within ten (10) days prior to its expiration, as directed by the Department, the Department may call the letter of credit and place the funds in an escrow account at the Department pending a prompt determination of the extent to which those funds will be used in accordance with subparagraphs 1) through 3), above.

We hereby agree with you that partial drawings are permitted and that drafts drawn under and in compliance with the terms of this letter of credit will be duly honored upon due presentation at our offices on or before the expiration date of this letter of credit.

This letter of credit is subject to the International Standby Practices (ISP98), International Chamber of Commerce Publication Number 590.

Printed Legal Name

Authorized Signature

Date Signed

Printed Official Title of Authorized Signer