

1 ROB BONTA
Attorney General of California
2 JOSHUA A. ROOM
Supervising Deputy Attorney General
3 CARTER OTT
Deputy Attorney General
4 State Bar No. 221660
455 Golden Gate Avenue, Suite 11000
5 San Francisco, CA 94102-7004
Telephone: (415) 510-3485
6 Facsimile: (415) 703-1107
E-mail: Carter.Ott@doj.ca.gov
7 *Attorneys for Complainant*

8 **BEFORE THE**
9 **DEPARTMENT OF CONSUMER AFFAIRS**
10 **FOR THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION**
11 **STATE OF CALIFORNIA**

12 In the Matter of the Statement of Issues
Against:

Case No. BPPE25-0999

13 **PRODUCT SCHOOL INCORPORATED**

STATEMENT OF ISSUES

14 **Application for Renewal of Approval to**
15 **Operate and Offer Educational Programs**
16 **for Non-Accredited Institutions**

17 Institution Code Number 20708925

Respondent.

18
19 **PARTIES**

20 1. Deborah Cochrane (Complainant) brings this Statement of Issues solely in her official
21 capacity as the Chief of the Bureau for Private Postsecondary Education (Bureau), Department of
22 Consumer Affairs.

23 2. On or about May 7, 2018, the Bureau issued an Approval to Operate Institution Code
24 20708925 to Product School Incorporated (Respondent), a Delaware corporation doing business
25 in California. The Approval to Operate was scheduled to expire on May 7, 2023, but the
26 expiration of the Approval to Operate was stayed by the filing of an Application for Renewal of
27 Approval to Operate and Offer Educational Programs for Non-Accredited Institutions.

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1 “(9) The institution is maintained and operated in compliance with this chapter and all other
2 applicable ordinances and laws.

3”

4 8. Section 94886 states:

5 “Except as exempted in Article 4 (commencing with Section 94874) or in compliance with
6 the transition provisions in Article 2 (commencing with Section 94802), a person shall not open,
7 conduct, or do business as a private postsecondary educational institution in this state without
8 obtaining an approval to operate under this chapter.”

9 9. Section 94887 states:

10 “An approval to operate shall be granted only after an applicant has presented sufficient
11 evidence to the bureau, and the bureau has independently verified the information provided by the
12 applicant through site visits or other methods deemed appropriate by the bureau, that the applicant
13 has the capacity to satisfy the minimum operating standards. The bureau shall deny an application
14 for an approval to operate if the application does not satisfy those standards.”

15 10. Section 94891 states, in part:

16 “(a) The bureau shall adopt by regulation the process and procedures whereby an institution
17 may obtain a renewal of an approval to operate.

18 “(b) To be granted a renewal of an approval to operate, the institution shall demonstrate its
19 continued capacity to meet the minimum operating standards.

20 “(c)(1) An institution that is denied renewal of an approval to operate may file an appeal in
21 accordance with the procedures established by the bureau pursuant to Section 94888.

22 “(2) An institution that has filed an appeal of a denial of a renewal application may continue
23 to operate during the appeal process, but must disclose in a written statement, approved by the
24 bureau, to all current and prospective students, that the institution’s application for renewal of
25 approval to operate was denied by the bureau because the bureau determined the application did
26 not satisfy the requirements to operate in California, that the institution is appealing the bureau's
27 decision, and that the loss of the appeal may result in the institution’s closure.

28”

REGULATORY PROVISIONS

11. California Code of Regulations, title 5, section 71475, subdivisions (e) and (ii) state:

“(e) The institution shall submit at the time it applies for renewal current financial statements that meet the requirements of section 74115 as follows: (1) for an institution with annual gross revenues of \$500,000 and over, statements shall be audited; (2) for an institution with annual gross revenues less than \$500,000, statements shall be reviewed.”

...

“(ii) An incomplete application filed under this section will render the institution ineligible for renewal.”

12. California Code of Regulations, title 5, section 71700 states:

“The Bureau may request that an institution document compliance with the standards set forth in the Act and this Division to obtain and maintain an approval to operate.”

13. California Code of Regulations, title 5, section 71745, subdivisions (a) and (c) state:

“(a) The institution shall document that it has at all times sufficient assets and financial resources to do all of the following:

“(1) Provide all of the educational programs that the institution represented it would provide.

“(2) Ensure that all students admitted to its educational programs have a reasonable opportunity to complete the programs and obtain their degrees or diplomas.

“(3) Maintain the minimum standards required by the Act and this chapter.

“(4) Pay timely refunds as required by Article 13 of the Act.

“(5) Pay all operating expenses due within 30 days.

“(6) Maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the end of the most recent fiscal year when using generally accepted accounting principles, or for an institution participating in Title IV of the federal Higher Education Act of 1965, meet the composite score requirements of the U.S. Department of Education. For the purposes of this section, current assets does not include: intangible assets, including goodwill, going concern value, organization expense, startup costs, long-term prepayment of deferred charges, and non-

1 returnable deposits, or state or federal grant or loan funds that are not the property of the
2 institution but are held for future disbursement for the benefit of students. Unearned tuition shall
3 be accounted for in accordance with general accepted accounting principles.

4 . . .

5 “(c) An institution shall provide to the Bureau its most current financial statements upon
6 request.”

7 14. California Code of Regulations, title 5, section 74115 states:

8 “(a) This section applies to every set of financial statements required to be prepared or filed
9 by the Act or by this chapter.

10 “(b) A set of financial statements shall contain, at a minimum, a balance sheet, an income
11 statement, and a cash flow statement, and the preparation of financial statements, shall comply
12 with all of the following:

13 “(1) Audited and reviewed financial statements shall be conducted and prepared in
14 accordance with the generally accepted accounting principles established by the American
15 Institute of Certified Public Accountants by an independent certified public accountant who is not
16 an employee, officer, or corporate director or member of the governing board of the institution.

17 “(2) Financial statements prepared on an annual basis as required by section 74110(b) shall
18 be prepared in accordance with the generally accepted accounting principles established by the
19 American Institute of Certified Public Accountants. Nonprofit institutions shall provide annual
20 financial statements as required under generally accepted accounting principles for nonprofit
21 organizations.

22 “(3) The financial statements shall establish that the institution meets the requirements for
23 financial resources required by Section 71745.

24 “(4) If an audit performed to determine compliance with any federal or state student
25 financial aid program reveals any failure to comply with the requirements of the program and the
26 noncompliance creates any liability or potential liability for the institution, the financial
27 statements shall reflect the liability or potential liability.

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1 fiscal year when using generally accepted accounting principles, or for an institution participating
2 in Title IV of the federal Higher Education Act of 1965, meet the composite score requirements
3 of the U.S. Department of Education, as required by California Code of Regulations, title 5,
4 section 71745, subds. (a). (Bus. & Prof. Code § 94885, subd. (a)(6) and (a)(9); Cal. Code Regs.,
5 title 5, §§ 71700 and 71745, subd. (a).)

6 **PRAYER**

7 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
8 and that following the hearing, the Director of the Department of Consumer Affairs issue a
9 decision:

- 10 1. Denying the Application for Renewal of Approval to Operate an Institution Non-
11 Accredited submitted by Product School Incorporated; and
12 2. Taking such other and further action as deemed necessary and proper.

13
14 DATED: 3/8/2026

"Original Signature on File"

DEBORAH COCHRANE
Chief
Bureau for Private Postsecondary
Education
Department of Consumer Affairs
State of California
Complainant

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