



October 13, 2016

Mr. Lawrence Earle, President
Career Point College
4522 Fredericksburg Rd.
San Antonio, TX 78201-2027

RE: Letter of Credit Request
Determined by Self-Reported Violations
Credit Balance Payment Requirement

OPEID: 02591100

Dear Mr. Earle:

On September 21, 2016, you met with Kim Peeler, Jesus Moya and me to self-report allegations of fraud and mismanagement with respect to Career Point College's (CPC's) participation in the student financial assistance programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs). During the meeting, you provided us a written report titled, *Self-Reporting Documentation*, which outlined the details regarding what has transpired. We appreciate you bringing this information to our attention.

Specific to the allegation of Title IV, HEA program fraud and mismanagement, the report states that CPC has not paid credit balances for graduated students totaling \$425,218, and has not made required returns of unearned Title IV, HEA program funds for withdrawn students totaling \$4,184,279, for a total of \$4,609,947. As outlined in the documentation, there were other serious allegations of fraud and mismanagement.

To participate in any Title IV, HEA program, CPC must demonstrate that it meets the general standards of financial responsibility set forth at 34 C.F.R. § 668.171(b). Based upon the information received, the Department has determined that CPC violated the financial responsibility requirements in 34 C.F.R. § 668.171(b)(4)(i) related to its financial obligations. Specifically, CPC failed to make refunds it was required to make under its refund policy, including the return of Title IV, HEA program funds for which it was responsible under 34 C.F.R. § 668.22.

In view of its failure to meet the financial responsibility standards, CPC may only continue to participate in the Title IV, HEA programs under the Provisional Certification Alternative set forth at 34 C.F.R. § 668.175(f). Under this alternative, CPC must post an irrevocable letter of

credit in the amount of \$10,144,997 and be provisionally certified for a period of up to three complete award years. This amount represents 25% of the Title IV, HEA program funds received by CPC during its most recently completed fiscal year.

The letter of credit is necessary in order to provide for the payment of refunds of institutional or non-institutional charges owed to or on behalf of current or former students of CPC; to provide for the teach-out of enrolled students should CPC precipitously close or terminate classes at other than the end of an academic period; and to pay liabilities owed to the Department arising from violations of Title IV, HEA program requirements and agreements. The SPD has determined that a 25 percent letter of credit is appropriate because specific liabilities owed by CPC have been identified by the institution and because CPC is at increased risk of closure. Upon receipt of the letter of credit, the SPD will issue CPC a new Provisional Program Participation Agreement that specifies the requirements identified with the Provisional Certification Alternative.

CPC 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) set forth below:

Compliance with Zone Alternative Requirements:

1) Method of Payment – CPC is required to make disbursements to eligible students and parents under the heightened cash monitoring payment method as described under 34 C.F.R. § 668.162(d)(2). You received a letter dated September 20, 2016, regarding the payment request requirements for this method of payment.

2) Notification Requirements – CPC 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. CPC 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 CPC by its accrediting agency, State of Texas, or other Federal agency;
- Any event that causes CPC, 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 CPC's or a related entity's most recent audited financial statements;
- Any violation by CPC of any loan agreement;
- Any failure of CPC 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 CPC by any means, including by declaring a dividend;
- Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30; or
- Any filing of a petition by CPC for relief in bankruptcy court.

3) Auditor's Attestation Requirement - Additionally, as part of its compliance audit, CPC must require its auditor to express an opinion on its compliance with the requirements under the Zone

Mr. Lawrence Earle

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Alternative, including its administration of the payment method used to receive and disburse program funds.

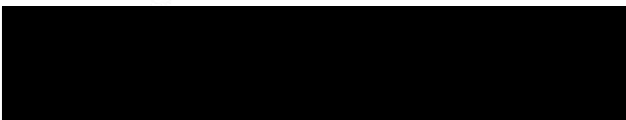
A sample irrevocable letter of credit is enclosed. CPC's letter of credit must be issued by a United States bank. Your lending institution must use this format on its letterhead with no deviation in the language contained therein. The letter of credit must provide coverage until September 30, 2017, and may be required to be renewed prior to its expiration. The irrevocable letter of credit must be received prior to 75 calendar days from the date of this letter. Please note that if CPC fails to provide the irrevocable letter of credit within 75 calendar days, the institution may be referred to the Department's Administrative Actions and Appeals service Group (AAASG) office for termination and/or other adverse action. Also, note that information regarding the financial analysis score, results, and the letter of credit is subject to the Freedom of Information Act (FOIA) of 1966, as amended.

The irrevocable letter of credit must be made payable to the Secretary, U.S. Department of Education and mailed 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

If you have any questions regarding the **financial responsibility determination**, or disagree with the reason or methodology used for this determination, please contact Jesus Moya, within 30 calendar days at (214) 661-9472.

Sincerely,



Cynthia Thornton, Director
Dallas School Participation Division

Enclosures: Sample Irrevocable Letter of Credit

cc: Accrediting Council for Independent Colleges and Schools
Texas Workforce Commission, Division of Proprietary School & Veterans Education
Texas Coordinating Board for Higher Education
Oklahoma Board of Private Vocational Schools
Oklahoma Regents for Higher Education

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 Service Group
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>

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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